

THE INFLUENCE OF STATE INSTITUTIONS ON THE IMPLEMENTATION OF
NEOLIBERAL REFORMS: EVIDENCE FROM THE MEXICAN CASE

By

DIANE MICHAELLE JUST

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To my Grandmother, Emma Klein Just

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By

Diane M. Just

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Since the early 1980s in Latin America, neoliberal policy makers have advanced strategies of privatization, liberalization and structural adjustment as the solutions to economic development problems of the region. Analysts describe a rapidly diminishing role for the state, and point to examples of privatization and liberalization. Yet such portrayals are overzealous: the actual implementation of neoliberal reforms has fallen short of the outcomes originally envisioned. Having demonstrated the limits to the success of neoliberal reforms in Latin America in general, this study moves to a case study of one country, Mexico, in a quest for knowledge of the role of institutions during these reforms.

Using a historical institutionalist perspective, a spectrum of formal and informal institutions of the state are found to impact these reforms. The institutions under study include communally held lands (*ejidos*), the National Peasant Confederation (CNC), the

Confederation of Mexican Workers (CTM), the National Federation of Organizations and Citizens (FNOC), the Federal Labor Law (LFT), economic solidarity pacts (the PSE and PECE), the Office of the Agrarian Counsel (PA), the National Solidarity Program (PRONASOL) and the Direct Rural Support Program (PROCAMPO). Data from the Program for Certification of Ejido Land Rights and the Titling of Urban House Plots (PROCEDE) reveals the continuing significance of the ejido in Mexico today. Informal institutions such as corporatist and clientelist norms and values are also shown to have a significant impact. Many informal institutions of the state are reincarnated within new formal institutions, and as a result, the state functions in many of the same ways. These institutions hinder and distort the outcomes of neoliberal reforms, and are more enduring than is commonly acknowledged. A brief discussion of the relative significance of various institutions is provided. This work demonstrates the powerful heritage institutions have even during periods widely characterized as times of change. The implications of these results for development in other Latin American cases are also reflected upon.

CHAPTER 1

INTRODUCTION: HOW DO INSTITUTIONS IMPACT NEOLIBERAL REFORMS?

As the 20th century draws to a close, scholars reflect on an era of contradictions. Exponential growth in technology, education and communication is countered by growing environmental concerns, problems of food distribution and an expanding number of impoverished citizens and refugees. These contrasts make the selection of sound national development policies a serious and complex task, as policy makers must weigh the consequences of their choices from a number of different angles. The impacts of their decisions are frequently profound, although not always in the ways the policy makers hope. New policies frequently fall short of their objectives because the institutional context is not fully considered.

This study examines the impact of institutional continuities on the implementation of development policies. Specifically, the goal is to reveal how institutions affect neoliberal reforms. The focus on Mexico was selected both because of my experience there and because its state institutions have deep historical roots. This research suggests that corporatist and clientelist institutions in particular are remarkably enduring even when other institutions are dismantled. These and other state institutions significantly alter the success of neoliberal reforms. The implications of this study extend beyond the Mexican case to other regions where neoliberal policies are applied.

This chapter will first introduce the context of neoliberal reforms, a topic that will be further explored in Chapter 3. Since the objective of this study is to show how institutions affect the implementation of neoliberal reforms, the discussion will first frame the context of the reforms. Next, the term "institution" is operationalized and institutions are distinguished from organizations. The focus is on state and state-affiliated institutions, both formal and informal, as discussed below. Institutions are defined rather broadly.

In the last section of this chapter, the theoretical and methodological approach used to decipher the role of institutions during the implementation of neoliberal reforms is introduced. A brief description of the contents of each chapter is also provided. As discussed below, Chapter 2 draws out how a historical institutionalist perspective provides the best explanatory power for this study. The general review of the progress of neoliberal reforms in Latin America in Chapter 3 is followed by a case study of the impact of institutions on the implementation of neoliberal reforms in Mexico. A variety of institutions are discussed, with special focus on how state agrarian and labor institutions hinder the implementation of neoliberal reforms. The final chapter delves into the implications of the argument made in this study for development policy making in Mexico and other states.

The Spread of Neoliberalism

A general desire to understand why the development policies being applied in Latin America succeed or fail was the impetus for this project. Neoliberal reforms were widely accepted as the best solutions to debt and other economic problems during the 1980s and most of the 1990s, but despite the passing years many indicators of development did not

seem to be showing improvement. Observers have vastly opposing views about the cause of this state of affairs. Some argue that the neoliberal policies were unrealistic or flawed from the outset, by underestimating or accepting a high initial burden on the poor. Many others argue that the reforms simply were not enacted properly or that insufficient time has passed for benefits to accrue.

Neoliberal views became predominant early in the 1980s among such influential agencies and actors as the International Monetary Fund (IMF), the World Bank, the United States (U.S.) government, policy think tanks and many academics, and by the late 1980s, the viewpoint had acquired the label of the "Washington Consensus."¹ Following the onset of the debt crisis in 1981/82, the IMF demanded of recipient governments a commitment to neoliberal tenets as a precondition for economic assistance. The adoption of neoliberal reforms took place gradually and unevenly, but most Latin American countries made the first steps to these reforms during the early to mid 1980s.²

These neoliberal policies represent a significant shift from development models based on state-led growth popular in the decades before the debt crisis. Such models were used in Latin America, Africa and in the Eastern Bloc (World Bank 1998:10; Rodrik 1996:12). By the early 1980s, heavy indebtedness and economic instability characterized many countries in these areas. In Mexico, for example, four broad types of policy goals existed: (1) "foreign exchange had to be generated," (2) "the role of the government in the

¹ Heath makes this point and notes that "John Williamson of the Institute for International Economics in Washington, D.C., coined the phrase" (Heath 1998:62, fn. 5).

² For more detailed reviews of the progress of neoliberal reforms in Latin America see Williamson (1990), Sautter (1993) and Sautter and Schinke, eds. (1996).

economy had to be examined,” (3) “economic stability had to be achieved,” and (4) “debt ratios had to be addressed” (Heath 1998:41-42). Similar needs were present throughout Latin America and in other developing areas, and national policy makers accepted the Washington Consensus as the only remaining solution.

Neoliberal views soon gained paramount importance in the development strategies of almost all developing countries.³ They advocated a dedication to trade liberalization, structural adjustment and privatization of state-run industries. Adjustment of domestic economic disequilibrium was necessary in the short-term, with restructuring of development strategies in the medium- and long-term (Mesa-Lago 1994:ix). The initial adjustment was often referred to as “shock treatment.” Neoliberal reforms aim for a quick and sweeping privatization of state-run enterprises as well as the reduction of spending on state-run programs and institutions. Their goals include the modernization / minimization of state institutions in exchange for a liberalization of the private sector and the promotion of competitiveness in agriculture, industry and services. In terms of the size of the state, according to a World Bank study, “...public sectors are reorienting themselves and downsizing. ‘Less is better’ has been the cry” (World Bank 1998:83). For neoliberals, a continuation of traditional state institutions (e.g., import-substitution institutions or

³ Anne Krueger was one of the strongest critics of import-substitution industrialization and advocate of neoliberal reforms (Rodrik 1996:12). The influential arguments made during the 1980s and early-1990s by another advocate of the market, Deepak Lal, have been collected in Against Dirigisme: The Case for Unshackling Economic Markets (1994). Some Latin American proponents of neoliberalism are Hernando de Soto (see Soto 1989) and economists such as Juan A. Morales (see Morales 1993, and Morales and McMahon, eds., 1996) and Domingo Cavallo (see Cavallo 1997).

populist institutions⁴) represents an impediment to successful development because of their inefficient and often corrupt structures.

In the early- and mid-1990s, more international policy makers concurred on this view of state institutions than in earlier decades. Latin American leaders have been primarily concerned with how to dismantle populist state institutions rather than debating the potential benefits of their role in the national political-economy (Burki and Edwards 1996a). Neoliberal policies gained popularity in part because they were presented as practical solutions to economic and financial problems. Neoliberals advise against special protections for domestic producers, for example, which makes balancing a national budget easier (Fernández Jilberto and Mommen 1996b:1-2).

Despite widespread acceptance during the 1980s and most of the 1990s, neoliberalism and its concurrent recommendations *were* criticized, although arguments countering the claims of neoliberals were heard less frequently, and tended to receive little serious attention when national policies were being formed and implemented.⁵ The preponderance of neoliberal views prompted scholars to ask how this would impact development. Prior to undertaking this study, for example, several questions came to mind about the implementation of neoliberal policies and the implications for development: How successful are neoliberal policies at achieving their intended outcomes, and what

⁴ “Populism” is a type of political leadership based on the use of policies designed to create, maintain or sustain the popularity and reign of a political leader or regime. It is criticized for the way it frequently prioritizes the political success of an individual or regime at the expense of the long-term development goals of a polity.

⁵ See, for example, Gledhill (1995) or the critical discussion of neoliberalism by Petras (1997).

interferes with their success? Ultimately, how neoliberal are national neoliberal policies when put into practice? Do discrepancies exist between national policy goals and subnational policy implementation? Does neoliberalism inadvertently coexist with other development policy models?

Proponents of the Washington Consensus also had occasion to pose similar questions to themselves during the 1990s. By 1998-1999, neoliberalism has lost a great deal of credibility even at the IMF and the World Bank. The neoliberal message itself has changed:

...[N]eoliberalism has evolved over time, passing from its 'savage capitalism' phase at the start of the debt crisis, in the heyday of Ronald Reagan and Margaret Thatcher, to a kinder, gentler neo-liberalism in the 1990s. To varying extents, neo-liberals have rediscovered the issue of poverty, and the need to educate their citizens. At least at the level of rhetoric, few politicians would now admit to being a neo-liberal, as the 'social market' has become the catchphrase of the caring 1990s. (Green 1995:177)

Even a recent World Bank (1998:11) policy research report acknowledges the transformation from pure neoliberalism, calling its heyday,

...a brief period when government failure was seen as pervasive and complete, and markets (if not the solution) as the only hope. Today's...view—pragmatic but not ideologically satisfying—is that both markets and governments have pervasive failures but that these usually are not complete. This emphasizes that government should focus on areas where the problems in the absence of intervention are greatest—but government must have the capacity to improve the situation.

Perhaps the ultimate challenge to neoliberalism surfaced with the Asian economic crisis that came to a head in Thailand on July 2, 1997, and the economic crises which subsequently touched Russia, Latin America and even the industrialized nations (Rodrik 1998). The loss of credibility of the East Asian model hits close to the heart of neoliberal reassessments of their recommendations. The economic performance of the four East

Asian tigers (South Korea, Taiwan, Singapore and Hong Kong) had been lauded as proof of the efficacy of neoliberal ideals since the 1980s.⁶ Evaluations of the extent to which the East Asian economies actually followed the recommendations of the Washington Consensus *did* reveal significant shortcomings (Rodrik 1996).⁷ Yet the example of their relative success prior to 1997 helped encourage many countries (especially many Latin American countries) to follow and even surpass the East Asian countries in adherence to the tenets of the Washington Consensus (Rodrik 1996:17-18). A prime example is Mexico, frequently cited as one of the strictest adherents to neoliberal recommendations (Rodrik 1996:18). The trade and financial liberalization and privatization of countries such as Bolivia, Argentina and Mexico surpassed those of the East Asian countries (Rodrik 1996:18). The relative success of Latin American countries in implementing neoliberal reforms is discussed further in Chapter 3. Chapters 5 and 6 will contest the true depth of Mexico's adherence to neoliberal tenets.

Following the problems brought on by the Asian economic crisis, the neoliberal model is being replaced by what scholars at the World Bank now call a "two-pronged" development strategy that involves an effort to:

... put in place growth-enhancing, market-oriented policies (stable macro-economic environment, effective law and order, trade liberalization, and so on) and ensure the provision of important public services that cannot be well and equitably supplied by private markets (infrastructure services and education, for instance). (World Bank 1998:11)

⁶ For a discussion, see Rodrik 1996:12-13.

⁷ Rodrik judges how closely South Korea and Taiwan followed the prescriptions of the Washington Consensus, and awards South Korea a score of "about five" (out of ten) and Taiwan a score of "about six" (Rodrik 1996:18).

Good policymaking, institution building, and the provision of public services have gained significance alongside the development of capital markets (World Bank 1998:11).

This list—policymaking, institution building and the provision of public services-- suggests the powerful influence of state institutional variables, giving credibility to the goal of highlighting the role of such institutions. This disquisition attempts to provide answers to some questions about the success of neoliberalism by revealing the influence of state institutions on the implementation of reforms. If the implementation of neoliberal reforms is hindered and distorted by institutions, a definition of institutions is certainly in order.

Definition of Institutions

In the social science literature “institution” is defined narrowly or broadly; here it is used broadly, to refer to both formal and informal structures or processes, as discussed below. This section will clarify the present use of “institution” by discussing what “state institutions” are and distinguishing institutions from organizations. It will also differentiate between formal and informal institutions.

As it is not possible or desirable to discuss every variable that influences economic development, the present study will focus only on the role of state and state-affiliated institutions (hereafter called simply “state institutions”) during the implementation of neoliberal reforms. The “state” is the governing structure of a society, and includes government agencies and bureaucratic positions, but is not merely the particular elected regime of any given electoral period. Its size and power depend both upon historical factors and societal influences. It has autonomous power and interests that may outweigh

the goals of particular governing regimes. Likewise, its needs may change under the pressure of internal or external forces. “State institutions,” on the other hand, are formal or informal institutions of the state. A state has a variety of state institutions.

Since state institutions are created by and operated for the state, they should share its mandate and carry out its plans. Here it will be demonstrated that large deviations from the officially proclaimed state policy are often a result of factors inherent in the institution itself. Focusing only on state institutions will help to isolate how these institutional effects interfere with neoliberal policies.

“State institutions” may or may not be formal organizations. An organization may be an institution, but not all institutions are organizations. An organization, more precisely, is a manifest entity designed by people to serve a purpose. Many social scientists have grappled with the distinction between institutions and organizations. Three common categories of organizations and institutions may be distinguished: “(a) organizations that are not institutions, (b) institutions that are not organizations, and (c) organizations that are institutions (or vice versa, institutions that are organizations)” (Uphoff 1986:8).

In the present research, only the second and third of these institutional-organizational links are examined. Organizations that are not institutions, or put somewhat differently, organizations not heavily influenced by historical institutional norms are not discussed. For example, some new state organizations created by a new governing regime to fulfill specific new policy goals do not have an institutional heritage and are thus not the foci of this study.

One difference between organizations and institutions lies in the relationship between function and existence. An organization may survive for a time without functioning, but when an informal institution ceases to function, its very existence is uncertain. Some historically strong institutions occasionally seem to disappear, only to be reborn through new channels or within new organizations.⁸ The strength of institutions is frequently underestimated; evidence relevant to this notion will be examined later in this study.

Both formal (institutionalized) organizations of the public sector and more informal understandings of the roles and responsibilities of the state towards different social sectors will be examined. Formal institutions of the state are fairly simple to define and conceptualize. Informal institutions of the state are more difficult to define coherently. "Informal" refers to such things as unwritten and perhaps even unspoken agreements over relations or transactions, through which customary actions carry obligatory meanings. Informal institutions may include historical norms, values and traditional means of interaction. The meaning of the term informal should not be misconstrued as "unimportant." Many norms that govern interactions between state and society are informal institutions of the state (i.e., they originated from the state or came about through repeated interaction between the state and society). Informal institutions include corporatist political practices, involving many unwritten ties between groups within government and certain constituencies. An example of a formal institution, on the other hand, is the *ejidal* (communally-held) system of land tenure in Mexico. Nonetheless,

⁸As one example, note the reform of the popular sector of Mexico's ruling party mentioned in Chapter 5.

many informal institutions also govern interactions on *ejidos* and among *ejidatarios* (members of *ejidos*).

Formal institutions of the public sector and informal institutions such as cultural norms frequently share similar roots. Social interactions (informal institutions) often become routine at the same time that formal institutions settle into the provision of services. Both informal and formal institutions may influence the same transactions. Informal patterns may be as important as or even more important than formal organizations, and they often account for the discontinuity between proclaimed policy goals and actual policies in practice. This is especially true in many areas of Latin America, since informally institutionalized interactions are common in the region and frequently of substantial significance.

Theoretical and Methodological Approach

In Chapter 2 a number of different theoretical approaches to the study of institutions are reviewed. Ultimately, a historical institutionalist perspective is chosen because it provides the most explanatory power, but the institutional analysis is also linked to micro- and macro-level approaches. Historical institutionalists argue that institutions have a significant effect on their environment. Institutions shape the thoughts, behaviors and choices of individuals, as well as limiting the range of and speed of possible environmental changes. The use of a historical institutionalist approach provides a way to study the impact of large state institutions over time. Using this approach it is possible to study subnational processes, structures and routines that transcend, outlive and therefore

outweigh the impact of particular politicians or other political actors. This is a very useful means of studying the long-term impacts on development.

Chapter 3 furnishes a general discussion of the role of state institutions in Latin America over time. A review of the role of state institutions during the era of the populist Latin American state is followed by a general investigation into the significance of institutional heritage during the execution of neoliberal reforms, periods most widely characterized as times of change. During the decades of neoliberal reforms in Latin America, scholars frequently emphasize the modifications to preexisting development policies, thereby effectively underrating institutional continuities. This chapter will provide evidence that it is precisely in the throes of such reforms that the influence of historical institutions may become most consequential. A review of the anticipated changes, the goals of neoliberal policies, and the progress of the reforms is made. Evidence of the limits to the success of neoliberal reforms in Latin America is presented.

The delays to the success of neoliberal reforms may or may not be the result of institutional effects. In order to descry whether institutional effects are indeed causally significant, a closer examination of a particular case is necessary. The fourth chapter provides background for a case study of Mexico that will provide insight into how significant institutional effects are.

The significance of the role of historical institutions is best revealed through the use of a case with many long-standing institutions. Mexico has the longest history of political stability in Latin America, and is considered one of the closest followers of neoliberal reforms. Since Mexico is such a useful case of overt continuity in a political

system, it provides an excellent window into whether state institutions have significant influence even during neoliberal reforms.

The chapter begins with brief general background of the Mexican case from the time of the Revolution. Key components include the formal and informal institutional heritage of the Mexican Revolution, an introduction to Mexican corporatism and the fusion of the official party and the state, and a description of the electoral cycle (the *sexenio*). Neoliberal critiques of these institutions are provided. Mexican corporatism, for example, is censured for promoting an economic and political order based on partisan (and often corrupt) political loyalties rather than effectiveness or competency. This essential background to the Mexican case is followed by an examination of specific evidence.

The evidence for these two key chapters is collected from a broad swath of literature. A vast amount of high quality research is available on Mexico. This literature was used as the source of information about the role of institutions during neoliberal reforms. Analysis of this research was aided by insights gained during my previous experience in Mexico (a total of more than a year between 1989 and 1994).

Interaction with other Latin Americanists in general and Mexicanists in particular via email discussion lists has also proved invaluable to the interpretation of evidence. Several members of the Scholars for Mexican Rural Development (MRD)⁹ have aided particular aspects of this research, especially in conceptualizing institutions in the agrarian

⁹ The MRD Network provides the following information about itself: "Scholars for Mexican Rural Development (the MRD Network) was founded in January 1992 by Theodore E. Downing (University of Arizona), as part of the ANTHAP network developed by James Dow at Oakland University in Rochester, Michigan. It was developed in response to the rapidly unfolding events in rural Mexico. In 1995, Gerardo Otero, Simon Fraser University, joined Downing as the co-facilitator of the MRD."

sector. In addition, some data was obtained directly from Mexican agrarian institutions through mail, email and telephone. For example, in the section on ejidos in Chapter 6, data was obtained from the National Agrarian Registry (the *Registro Agraria Nacional*). Mexico's communication systems have increased the opportunities to gain valuable insight about local events even from a considerable distance.

Research relying upon secondary literature is a particularly valid methodology for a study that attempts to answer the broad questions raised here. The issues lend themselves very well to a qualitative research method, and one of the greatest challenges to scholars conducting qualitative research is the attempt to remain objective. The use of secondary data might even ensure a higher standard of objectivity than could be expected if conclusions were based exclusively on qualitative evidence collected first-hand. Instead, the observations of many scholars are collected and presented in a unified fashion.

A common thread among the observations of a variety of scholars on the interplay of continuity and change, structure versus agency, institutions and the role of individuals is demonstrated, yet what results is not merely a summary of the work of others. Instead, the evidence collected here supports conclusions that frequently differ in important respects. Simply put, while much of the literature emphasizes elements of change, this study highlights continuities caused by institutional factors.

Chapters 5 and 6 provide evidence from Mexico about how and to what extent state institutions affect the implementation of neoliberal reforms. The significance of a number of both informal and formal institutions during the implementation of neoliberal reforms in Mexico is documented. In Chapter 5, a reflection on the role of pacts as formal embodiments of corporatism follows a discussion of corporatist institutions in general.

The impact of the Federal Labor Law on neoliberal reforms affecting the labor sector is examined. In Chapter 6, an analysis of the role of the *ejido* is bolstered using primary data gathered from the Mexican agrarian sector. The role of a variety of other institutions, including the Mexican Workers Confederation (the *Confederación de Trabajadores de México* or CTM), the National Peasants' Confederation (*Confederación Nacional Campesina* or CNC), the National Front of Organizations and Citizens (*Frente Nacional de Organizaciones y Ciudadanos* or FNOC), the Mexican Social Security Institute (*Instituto Mexicano de Seguridad Social* or IMSS) and the Office of the Attorney General for Agrarian Affairs or Office of the Agrarian General Counsel (*Procuraduría Agraria* or PA), is discussed. The National Solidarity Program (*Programa Nacional de Solidaridad* or PRONASOL) and the Direct Rural Support Program (*Programa de Apoyo Directo al Campo* or PROCAMPO) are also shown to be relevant in this study. A broad variety of evidence from a number of different formal and informal institutions suggests that the implementation of neoliberal reforms is being hindered and distorted by institutional factors.

The final chapter is a discussion of the implications of this research, which extend beyond simply the Mexican case or even Latin America. This examination and critique of the practical implementation of development policies is conducted in the hopes of spurring the refocusing, adjustment or advancement of development ideas and ideals. What does the revelation of institutional effects imply for development in general? Institutions can best aid development (or at least not hinder it) if their existence is acknowledged and taken into account by policymakers. This study reveals the difficulty—indeed, at times, the apparent impossibility—of undoing certain institutions. It is unrealistic to expect such

institutions will simply disappear, therefore, policies that assume and require such a possibility are doomed from the outset. As the 1999 United Nations Development Program Human Development Report (1999:8) argues:

Economic policy-making should be guided by pragmatism rather than ideology—and a recognition that what works in Chile does not necessarily work in Argentina, what is right for Mauritius may not work for Madagascar. Open markets require institutions to function, and policies to ensure equitable distribution of benefits and opportunities. And with the great diversity of institutions and traditions, countries around the world need flexibility in adapting economic policies and timing their implementation.

Institutional effects should be taken into greater account when formulating development policy, whether free-market oriented or otherwise. As neoliberal policies are implemented, they are sometimes adjusted to accommodate institutional variables into development schemes, as the discussion of the ejido in Chapter 6 will reveal. These adaptations can aid development by creating a better match between policies and their environment. Yet this study will also reveal many ways that development is affected when institutional effects are not adequately incorporated into policy making and policy implementation. When this occurs, policy outcomes may differ vastly from those originally envisioned by policy makers. This study concludes with a discussion of how the effects of state institutions on neoliberal reforms impact development in general.

CHAPTER 2

IMPACTS OF INSTITUTIONAL FACTORS ON NEOLIBERAL DEVELOPMENT POLICY: THEORETICAL SUPPORT

To add to an understanding of the implementation of development policies this study focuses on the role of institutions. An institutional perspective provides a useful lens through which to view issues of development policy implementation, since the neglect of institutional effects leaves scholars with only weak understandings of political and economic interactions. This chapter will first roughly distinguish institutional paradigms from other ways of knowing and then delve into a survey and comparison of several main types of institutional approaches. In the end, a historical institutional approach is determined to be the most useful, because of the insights it can provide into how institutions influence decision-making, thereby impacting development. The chapter concludes with a discussion of how this mid-level institutional approach will be complemented with insights gained from macro- and micro-level perspectives.

What is Meant by the Umbrella Term “Institutional Approach?”

Institutional approaches are distinct from other ways of studying political, social and economic phenomena, which may be divided into three general paradigms: (1) institutional approaches, (2) behavioralist / utilitarian approaches, and (3) social determinist / Marxist approaches (Immergut 1998:12). These approaches have varied in popularity over time. Institutional approaches are mid-level approaches to the study of

political, economic and social phenomena, whereas behavioralist / utilitarian approaches are micro-level, and social determinist / Marxist approaches are macro-level. Although an institutional approach is adopted here (as explained below), some linkages to the insights of micro- and macro-level scholarship are made as well.

Within the field of political science, analyses of institutions dominated research at the end of the 19th century and beginning of the 20th century. This “old” institutionalism focused on constitutions and formal institutions of government, yet considered them to be dependent, not independent, political variables.¹ The current renewal of interest in institutions developed in reaction to the behavioralist revolution of the 1950s and 1960s (Scott 1995:7). Behavioralist research focused on observable individual behavior, and used this observed behavior to explain government. The institutionalist approach is selected here because behavioral assumptions have the following weaknesses: (1) the assumption that political behavior reveals preferences, (2) the assumption that the aggregation of interests is efficient and unproblematic, and (3) the normative assumption that institutions are therefore unbiased and just; social determinist approaches, on the other hand, are repudiated for assuming that interests are objective and social class /group based (Immergut 1998:6-8, 12).

This framework serves to distinguish institutional approaches from other types of research in the social sciences, but reveals little about the diversity of institutional approaches themselves, including rational choice, branches of organization theory (sociological institutionalism) and historical institutionalism. This analysis will rely upon

¹ See Eckstein (1963).

insights from several institutional approaches, but the historical institutionalist perspective will be shown to possess the best explanatory power for approaching the study of the role of institutions during neoliberal reforms.

Approaches to the Study of Institutions

Institutional theories vary considerably, especially on the autonomous explanatory power they attribute to institutions. Important similarities exist in the cycles of popularity of the study of institutions over time and across disciplines. In economics, sociology and political science, the novelty of institutional approaches is debated. Most institutional theories today are thrown under a label of “new institutionalism” / “neoinstitutionalism,” although many scholars deny that much institutional analysis is new in theoretical content (e.g., Héritier 1998).

Many scholars have attempted to organize institutional theories into various categories.² Institutions and Organizations (1995) by W. Richard Scott is an example of this type of literature, providing a concise guide to an abundance of overlapping literatures on institutions. These scholars’ categorizations differ in important respects, but do have certain similarities. New institutionalism challenges the research style of behavioralist research (Olsen 1998). Most of the categorizations set one group of institutionalists, rational choice theorists, apart from other groups. For this reason, this discussion of institutional theories will examine the tension between rational choice and other institutional approaches.

² See, for example, Scott (1995), Thelen and Steinmo (1992), Resen (1998), Keman (1998), Héritier (1998), Immergut (1998), Koeble (1995), Kato (1996), Ethington and McDonagh (1995) and Klein (1994 [originally 1980]).

The study of the role of institutions is plagued by an ongoing tension. Institutions and individuals are factors in systems where cause and effect are blurred by constant interaction. The origin of motivation is sought in the ongoing question: Do institutions motivate individuals to act in certain ways, or do rational individuals create institutions according to utility-maximizing blueprints? In the attempt to pin down the source of motivation, the analyst must often ignore certain contradictory effects. Yet scholars must attempt the task, or risk gaining no insights whatsoever. The study of institutions, therefore, has been approached from what may be viewed as two general starting points: the individual or the institution.³

Each of these initiation points provides a gateway to fruitful analyses. Yet even if performed by the best of scholars, an infinite number of studies from just one of these initiation points would still result in an incomplete depiction of reality. All theories must, by their very nature, generalize. When two theoretical perspectives describe similar sets of interactions, scholars should perceive the benefit to the academic field of continuing research from each perspective when attempting to gain knowledge.⁴ The two theories may fundamentally contradict each other, yet sound reasoning suggests that reality is best understood through the use of the insights of both perspectives. In this manner, the best use of institutional theories will be gained:

...[P]rogress is likely to emerge by looking at bi-focal or tri-focal areas..., which is not to be confused with academic fence-sitting....to try to work past the immediate obstacles to mix what may at first appear as oil and

³ For other ways of organizing the study of institutions see, for example, Resen (1998) or Keman (1998).

⁴ Many scholars make this argument. See, for example, Immergut (1998), Resen (1998), Kato (1996), Koeble (1995), Ethington and McDonagh (1995), etc.

water....When carefully handled, the perspectives allow for synthesis in ways which have not yet been recognized. (Resen 1998:136)

Indeed, through the use of institutional studies, the outlines of a cumulative discipline may finally be under the process of construction in political science (Ostrom 1995:179).

Lower-level perspectives (which begin with the individual) may be distinguished from mid- and higher-level perspectives, which examine institutions and structures:

Instead of separate tables, we need to imagine ourselves working at separate levels, all viewing a complex mosaic of recursive processes occurring on multiple time-space fields. Those of us working at the lowest level need the help of those who can see broader outlines. Those of us working at a higher level need the help of those who can see how individuals actually interact with one another to produce the higher-level phenomena. In such a scientific house, there is no single level that provides the best answer to all questions. Rather, one has to understand how different levels provide better answers to some questions than others. (Ostrom 1995:179)

This study relies primarily on a mid-level institutional perspective, historical institutionalism. The historical institutional perspective links examinations of how institutions influence decision-making and standard operating procedures (lower-level phenomena) with discussions of the macro-consequences of that impact (higher-level phenomena). When appropriate, however, the discussion is bolstered using insights from approaches used in other levels of analysis as well.⁵ Before expanding on approaches that emphasize the power of institutions, an examination of approaches that begin with the individual is made.

⁵As one scholar suggests, "In fact, combining levels of analysis is necessary, because the empirical object under study is, in fact, multileveled" (Rothstein 1996:23).

Rational Choice

Rational choice or rational expectations approaches view institutions as the results of conscious designs by rational individuals. Rational choice in political science is formal theory first borrowed from work in economics on rational expectations (Lalman, Oppenheimer and Swistak 1993:77). These assumptions are that “all persons are rational maximizers of self-interest, calculating the value of alternative goals and acting efficiently to obtain what they want” (Zuckerman 1991:45). A rational actor may be defined as an actor making “optimal choices in specified environments” (Nurmi 1998:15). One problematic aspect of this is that the boundaries of those environments for one person may differ vastly from the boundaries of another, which means their choices may differ significantly. A brief summary will clarify the different perceptions of the role of institutions in the field of economics, and how the concept of rational choice changed research in other fields.

Rational choice and institutions in neoclassical economics, neoliberalism and the new institutional economics

Research utilizing a rational choice approach is extremely diverse, ranging “from free market conservatives to Marxists” (Hauptmann 1996:1). The use of rational choice originated in economics in response to “the shortcomings of the (traditional) neoclassical economics paradigm,” as a basis for the “New Institutional Economics (NIE)” (Nabli and Nugent 1989:1333). Neoclassical economics generally took the institutional framework as a given, and in many cases ignored it altogether (Nabli and Nugent 1989:1335). In reaction to this, an institutionalist school developed, creating a rough distinction between

classical mainstream / neoclassical economics and work in old / new institutional economics.

Gruchy (1969) calls institutional economics “dissent.” Klein ([1978] 1994), on the other hand, traces the historical development of institutional economics and argues that this school does not deserve the title of “mere dissent.” The old institutionalist school was shaped by Thorstein Veblen, John R. Commons, Wesley Mitchell, Clarence Ayres and other heterodox economists (Gruchy 1969:5-6). Some scholars maintain that early interest in institutional economics faded, as Scott suggests:

...the early institutional economists did not prevail: Neoclassical theory was victorious and continues in its dominance up to the present time. Prior to the rise of the new institutional economics in the 1970s, only a few economists attempted to carry forward the institutionalist’s agenda...(Scott 1995:4-5)

Klein, on the other hand, argues that, “Far from dying out, as some appear to think, institutionalism must be viewed as either never having died or as being in the process of a resurrection which I suggest will endure” ([1978] 1994:27). The resurrection Klein refers to has today become known as the new institutional economics. Klein’s assertion that institutionalism never really died out in one school of economics supports the notion that the study of institutions is well-established, albeit not mainstream, within the discipline of economics.

Gruchy distinguishes work by the old institutionalists from that of neoinstitutionalists such as John Kenneth Galbraith (1967), Gunnar Myrdal (1956), Adolph Lowe (1965) and others (Gruchy 1969:6). A main distinction between the two groups was that the neoinstitutionalists were not heavily influenced by Thorstein Veblen, and the perceived anti-theoretical technological determinism associated with him (Gruchy

1969:6). The new institutional economists attempt to merge theoretical insights from neoclassical economics with the influence of institutions, to create a more relevant social science. Both the old and the new institutionalists within economics criticized neoclassical economics for several reasons:

...the two schools share a strong criticism of neoclassical economics for (a) its lack of attention to institutions and hence to the relevance and importance of nonbudgetary constraints, (b) its overemphasis on the rationality of decision making, (c) its excessive concentration on equilibrium and statics as opposed to disequilibrium and dynamics, and (d) its denial that preferences can change or that behavior is repetitive or habitual. (Nabli and Nugent 1989:1336)

Institutional economists explore a wide range of institutional effects. They might, for example, detail the inefficiency of state-run organizations, and point out that such institutions often limit development. For orthodox institutionalists,

the framework of analysis involves an examination of the tensions between the dynamic force that promotes economic growth and development--technological progress--and the retarding, past-binding institutions, socioeconomic structures, and their associated behavior and thinking patterns--called ceremonialism--that tend to slow technological adaptation and impede economic development. (Dietz 1995a: 16)

From the perspective of orthodox institutional economics, the inefficiency of many state-run organizations is widely assumed, and the perseverance of such state institutions despite reform attempts is therefore seen as a hindrance to development.

There are two general approaches within the new institutional economics: (1) transaction and information costs, and (2) collective action (Nabli and Nugent 1989:1336-1337). The transaction cost school grew out of work by Coase (1960) and was followed by such authors as Williamson (1985) and North (1990). Its adherents argue that economic performance depends upon the right institutions to lower the costs of information, coordination and enforcement of contracts (Bardhan 1989:1389).

Neoinstitutionalist Douglass North (1990) adds depth to the discussion of the influence of institutions on economic development over time by revealing the persistence of inefficient institutions. His work qualifies the assumptions of the rationality of decision-making by insisting that the motivations of actors are more complex than usually assumed, and that the institutional framework limits the set of choices available to them (North 1990:17-26). North's path dependency approach grants significance to a state's institutional development, which helps to explain why some countries have persistently poor performance over time.

Collective action approaches, the other general approaches within the new institutional economics, reveal the free-rider problem, namely, that rational actors will often choose not to help provide public goods. Olson (1965) and Hardin (1968) founded this approach theoretically (Nabli and Nugent 1989:1338). Research in this school can explain how sub-optimal public outcomes come about, as well as to help identify what sort of institutional framework may assist in the provision of public goods.

The growth of the new institutional economics challenged the traditional neoclassical economic paradigm. Nonetheless, neoclassical economic theory continued to influence development policies throughout the 1980s and 1990s. It provided the basis for the neoliberal policy recommendations being implemented in Latin America in recent decades. Neoliberals take orthodox perspectives on institutions. They believe that development will occur through the implementation of macroeconomic stabilization, structural adjustment and the free flow of international trade and capital. Policy analysts appear now to be moving away from some of the neoliberal prescriptions originally recommended for Latin America, in order to pay closer attention to institutional theories

and their concordant policy recommendations. Two recent World Bank publications (Burki and Perry 1997 and Burki and Perry 1998) make this shift explicitly. The authors refer specifically to the new institutional economics as the perspective they adopt, and distinguish it from the neoliberal perspective (which neglected institutional influences) that was the basis for the Washington Consensus.⁶

Although the new institutional economics focuses needed attention on significant institutional phenomena, it is inherently limited by the fundamental assumptions of rationality which form the basis of their examinations. Nonetheless, the approach was appealing because it brought a means of conducting research using formal, deductive methods. The influence of neoinstitutionalists in economics soon had an impact in scholarly research in other social sciences as well. This extra-disciplinary spread of its influence is described in the next section.

Rational choice and institutions in political science and other fields

Rational choice approaches have become increasingly popular in political science and other social sciences. By 1992, rational choice approaches were represented in 40 percent of the articles published in the American Political Science Review, the major journal for political science (Pfeffer 1997:13). Scholars who recognize the limitations of this approach should welcome the insights of other theoretical perspectives. Other useful approaches are being underrepresented in the field of political science.

⁶ See Burki and Perry 1998:1-2.

Some examples of the leading scholarship applying rational choice theories to political phenomena are Kenneth Arrow's Social Choice and Individual Values (1963), James Buchanan and Gordon Tullock's The Calculus of Consent (1962), Anthony Downs's An Economic Theory of Democracy (1957), Mancur Olson's The Logic of Collective Action (1965) and William Riker's Liberalism Against Populism (1982).

Rational choice explanations posit that since institutions are created by, altered by and eliminated by individuals, in order to understand political, economic or social phenomena, scholars should focus on the motivations, decisions and actions of individuals (Zuckerman 1991).

Put somewhat differently, rational choice theories assert that institutions are for the most part temporary in nature (Resen 1998). For this reason, the rational choice approach lacks explanatory power when confronted with institutions that appear to contradict the desires and plans of rational actors over extended historical periods. Although they acknowledge that institutions can constrain actions, they have difficulty explaining how such institutions could continue to affect outcomes. Unnecessary institutions are often viewed as temporary or insignificant entities in the grand scheme of development policy implementation. Rational choice institutionalists maintain that individuals should be motivated to act to eliminate inefficient institutions in order to advance development.

Some of the fundamental problems with the rational choice approach are that:

...[A]n economic conception of choice cannot explain many things about politics: how people form political allegiances, how they change their minds about political issues, and why they adopt political positions on issues that have little bearing on their own personal fortunes. Nor can rational choice theory capture political situations in which institutions do not offer citizens a defined range of options from which to choose. In such situations...the course people take cannot always be easily defined as the

product of a rational choice....[R]ational choice theorists' particular conception of choice...is also a central reason why their project to explain politics in economic terms yields incomplete and distorted results. (Hauptman 1996:89-90)

The normative implications of the rational choice institutionalist approach are that the utilitarian standard (which posits that the sum of individual preferences will result in the common good) creeps back in (Immergut 1998:15). Yet these approaches do not deny the significance of institutions. Instead, institutions are perceived as capable of constraining actions (Lalman, Oppenheimer and Swistak 1993:81). A problematic aspect of one of the foundational premises of rational choice theory is that individual self-interest may not be completely independent of the interests of others (Lalman, Oppenheimer and Swistak 1993:97). Raising the issue of the possible interdependence of the interests of individuals paves the way for deeper questioning of the roles of institutions.

If individuals are interdependent, what does their interdependence mean for their preference formation? What might influence their choices? The role of institutions is irrevocably significant. Approaches to political and economic issues that give greater emphasis to the institutions themselves seem to be required, given these shortcomings of rational choice approaches. Yet other new institutionalist approaches differ significantly (Keman 1998:109). The two other main types of new institutionalism are sociological (organizational) institutionalism and historical institutionalism.

Sociological / Organizational Institutionalism

The study of institutions in sociology experienced popularity beginning in the late 19th century. In recent decades, the resurgence of interest in institutions in other disciplines has again focused attention on Emile Durkheim (1858-1917) and Max Weber

(1864-1920), whose work heavily influenced the subsequent development of sociological institutional theories (Scott 1995:9). Sociological institutionalism has been roughly divided into an “old” and a “new” institutionalism (see, e.g., Selznick 1996; Stinchcombe 1997). The distinction revolves around the extent to which human interactions may be considered as driven more by self-interested actors or culturally defined procedures, as explained below.

The two best-known early scholars of economic sociology are Durkheim and Weber. The two figures had distinct impacts on the field of sociology:

...Durkheim... essentially sought to bring sociological subject matter within the confines of a positivist methodology. This methodology... principally took the view that laws must be subject to the test of fact and thereby stressed the criterion of observability. Accordingly, most of the programmatic statements Durkheim made about sociological subject matter tended to equate sociological events with external regularity and this may explain Durkheim's use of the claim ‘consider social facts as things’.... Weber's work, on the other hand, emphasized the subjective side of social action and in this respect knowingly rejected a methodology which tended to equate social life with external regularities. (Morrison 1990:93)

Weber's impact on economic sociology was to “integrate the idea of interest-driven behavior with the idea of social behavior in one and the same analysis” (Swedberg 1998:3). Durkheim's impact on the study of institutions provided support for the exploration of the cultural dependency of human relationships, while Weber's analytical heritage is a blend of both culturally derived and self-interested behavior.

The heritages of Durkheim and Weber influenced both the old and the new institutionalism. The old institutionalists in sociology (like the old institutionalists in economics) were also shaped by the work of institutional economists such as Veblen and Commons (Stinchcombe 1997:1). Philip Selznick (1949, 1957) is one prominent example

of the old institutionalist school (Selznick 1996:270; Stinchcombe 1997:1). His work is in the field of organizational analysis. Selznick explains that,

...institutional theory traces the emergence of distinctive forms, processes, strategies, outlooks, and competences as they emerge from patterns of organizational interaction and adaptation. Such patterns must be understood as responses to both internal and external environments. (Selznick 1996:270)

For Selznick and other old institutionalists, “people built and ran institutions”; this may be contrasted with the “new Durkheimian institutionalism in which collective representations operate on their own” (Stinchcombe 1997:1). Unlike work in political science (and arguably, in economics), institutional theorizing in sociology did not lose prominence from view during the behavioral revolution. However, when traditional old institutional sociology came under fire, the growth of neo-institutional sociology began in the 1980s. Both types of analysis now coexist in the discipline (Scott 1995:57-59). Neo-institutional sociology, also known as the “new economic sociology,” includes work by scholars such as Neil Fligstein (1990), Mark Granovetter (1992 [1985]) and Viviana Zelitzer (1992).⁷

The new institutionalists in sociology should not be pigeon-holed as social determinists. Nonetheless, these new institutionalists place greater emphasis on the determinacy of institutions than, for example, the new institutionalists in economics do.⁸

⁷ See Swedberg and Granovetter (1992), and Swedberg (1993 and 1998) for detailed descriptions of work in economic sociology.

⁸ For example, Koeble explains that,

To the sociologists, institutions are themselves dependent upon larger ‘macro level’ variables such as society and culture, and the individual is a largely dependent and rather unimportant variable. The quip that economists attempt to show how people choose and sociologists try to

The new institutionalists in sociology describe the “embeddedness” of social action and situations of “bounded rationality.” The idea of the embeddedness of social action was developed by Karl Polyani (1944) and expanded upon by Mark Granovetter (1992 [1985]) and Powell and DiMaggio (1991) (see Koeble 1995:234). Embeddedness refers to the human tendency to stick to established routines, thereby affecting political, social, cultural and economic life, making the idea of rationality absurd (Koeble 1995:235).⁹ The embeddedness of social action is an underlying concept in two significant edited volumes among the new institutionalists in sociology: The Sociology of Economic Life (1992) by Mark Granovetter and Richard Swedberg, eds., and The New Institutionalism in Organizational Analysis (1991) by Walter Powell and Paul DiMaggio, eds.

Of special significance to sociological institutionalists are the concepts of bounded rationality and satisficing developed by organization theorists (Cyert and March 1963; March and Simon 1958; Simon 1957). Organization theorists challenged the empirical validity of expectations of rational choice by arguing that members of organizations do not choose among all possible outcomes, only among certain feasible or simple solutions to organizational challenges. Rather than making optimal choices, members of organizations make choices that usually only satisfy their needs. These concepts have proven useful to many scholars of new institutionalism. Bounded rationality may be defined as “the

show how people do not have choices to make still appears to hold true!
(Koeble 1995:232)

⁹ Koeble explains that,

Individuals are viewed as ‘embedded’ in so many social, economic, and political relationships beyond their control and even cognition that it is almost absurd to speak of utility-maximizing and rational behavior in a strictly economic sense. The very concept of rationality is dependent upon its environment. (Koeble 1995:235)

inability of economic actors to anticipate properly the complex chain of contingencies that might be relevant to long-term contracts” (Granovetter 1992 [1985]:64).

James March and Johan Olsen (1989) promote the sociological institutionalist approach by arguing that these and other organizational factors influence political outcomes. In an earlier piece, they provide three examples of styles of theoretical research on institutions: “policy martingales,” “experiential learning” and “garbage can” models (March and Olsen 1984:745-746). Research on policy martingales seeks to reveal the influence of chance in determining historical paths of development. Experiential learning models expose how organizational learning influences future success, and how standard operating procedures might interfere with optimal outcomes. Garbage can models demonstrate the streams of influence flowing through organizations, with problems and solutions joining spontaneously, or never coming together at all.

The work of sociologists Michael Hannan and John Freeman (1989) on organizational ecology also examines the relevance of the historical development of institutions. They provide evidence that the historical conditions present during the birth and growth of institutions profoundly influence their future. In reference to this point, Hannan and Freeman describe the strong influence of the work of Arthur Stinchcombe on their own theoretical development. They explain that Stinchcombe (1965),

...suggested that cohorts of organizations are 'imprinted' with the social, cultural, and technical features that are common in the environment when the cohort is founded. Because imprinted characteristics are highly resistant to change, the current characteristics of populations of organizations reflect historical conditions at the time of founding rather than recent adaptations. (Hannan and Freeman 1989: xiii)

Hannan and Freeman reveal the significance of this “imprinting” on a variety of institutions.

These ideas from sociological institutionalism also found their way into scholarship in political science. Dan Cochran is a political scientist who discusses the historical imprinting of institutions and the impact of institutions on development. He describes the relationship between an institutionalized regime and organizations, maintaining that a regime creates,

...regularized patterns of interaction that maintain people in relatively consistent relations over time. It must structure behavior...through creating rules, beliefs, and relationships, many of which will be fostered by and expressed through formal organizations. (Cochran 1994:18)

Cochran stresses the importance of institutionalization over the simple creation of (weakly- or non-institutionalized) organizations in service to the state.

Rothstein (1996) similarly highlights the impact of organizational history on future performance. He relates that,

As with other institutions, organizations may be viewed as ‘frozen ideologies.’ The norms, meanings, and goals which at one time had furnished the reasons for establishing them remain embedded in the organization long after these reasons have vanished. Organizations, as other institutional arrangements, tend thus to a certain stickiness (March and Olsen 1989; cf. Shepsle 1989). When an organization is established, then, it is endowed with certain values, norms, repertoires, standard operating procedures, etc., which will be very difficult to change in the future (Jelinek et al. 1983; Olsen 1983; Selznick 1949, 10). (Rothstein 1996: 35-36)

The significance of “frozen ideologies” and institutional “stickiness” is discussed further in the chapters that follow.

In sum, the old sociological institutionalism left some theoretical space for individual rationality, although it emphasized many limits on rationality. The newer

sociological institutionalism, on the other hand, places so much emphasis on the limits to rationality that it rejects the possibility that the sum of individual preferences will result in the common good (Immergut 1998:15). This is similar to research on collective action in the new institutional economics, which argues that rational actors will not always choose to provide public goods. The development of institutional theories in sociology may be viewed as a mirror image of the development of neoclassical economic ideas (Swedberg 1991: 22).

If one respects the intellectual acumen of scholars in each of these academic fields, how is one to decipher the pendulum-swings in the acceptance of differing views of institutions over time and across disciplines? Are the formal models of the economists preferable due to their ability to distinguish the influence of the individual in social modeling? Or are Durkheimian deterministic models of the new institutionalists in sociology more useful since they unearth the impossibility of rational choice under a great variety of common situations? Ostrom's (1995) Resen's (1998) and Rothstein's (1996) arguments in favor of scholars working at different levels provide good resolution to this apparent dilemma.

The institutional theorizing in political science known as historical institutionalism helps to further resolve these issues. This perspective is best for the present institutional study. As explained earlier, the insights from other perspectives will also fortify the analysis on various occasions, especially when it pushes the limits of middle-level (institutional, neither deterministic nor individualistic) analysis.

Historical Institutionalism

The new historical institutionalist school within political science is likened to the old sociological institutionalism of scholars such as Selznick (1949) (Koeble 1995:236). The contributions of Weber, and to a lesser extent, Durkheim, also influence historical institutionalists. Institutional approaches vary in the significance they grant to the influence of institutions on an economy, polity or society, but historical institutionalism grants relatively more autonomous power to institutions than rational choice theories do. It lends explanations that emphasize the legacies of institutions during development processes (e.g., Hattam 1993; Immergut 1992; Rothstein 1992 and 1996; Thelen and Steinmo 1992). On the other hand, it stops short of suggesting that institutions rapidly determine social outcomes.

The perspective of historical institutionalism is not always explicitly referred to by scholars. Thelen and Steinmo (1992) provide a clear outline of this body of theory, distinguishing it from and comparing it to the work of new political economists of the rational choice school. Historical institutionalists focus on the importance of institutions in forming and informing individuals' choices, and how institutions in existence for long historical periods can be very influential in shaping the thoughts of individuals (Thelen and Steinmo 1992). Thus, the institutions that make up a particular environment over time may have a more significant impact on development than the individuals living within that environment at any one given time.

Historical institutionalization is the way that institutions take shape over time. Institutions which have existed for decades are more entrenched, and thus more resistant to change than newer institutions. Some state institutions may continue to function as

they have in the past, or in ways that reflect their historical development, rather than in a reformed way advocated by current policies. Institutions with a long and significant history may have a very different impact than newer institutions during a period of reforms. Alternatively, new institutions may claim critical space.

Growth of historical institutionalism

Historical institutionalism, like other forms of new institutionalism, grew out of a critique of the behavioralism of the 1950s and 1960s. Although some scholars did focus on institutions during this earlier period, an enlivened debate about the role of the state and its institutions was forged in the late 1970s and 1980s by scholars such as Peter Hall, Peter Katzenstein, Theda Skocpol and Alfred Stepan.¹⁰ These scholars emphasized the significance of the state, state institutions and state-society relations in political economy. ✓

Stepan, for example, describes a lack of institutionalization by the Peruvian military regime from 1968-1975 (Stepan 1978:291-292). He defines institutionalization as follows:

Institutionalization is a distinct process from that of installation and is not just a matter of longevity. Institutionalization implies that a regime has consolidated the new political patterns of succession, control, and participation; has managed to establish a viable pattern of economic accumulation; has forged extensive constituencies for its rule; and has created a significant degree of... 'hegemonic acceptance' in civil society. It also implies that the majority of the weighty political actors in the polity are pursuing strategies to further their positions within the new institutional

¹⁰ See Peter Hall, Governing the Economy: The Politics of State Intervention in Britain and France (New York: Oxford University Press, 1986); Peter Katzenstein, Between Power and Plenty (Madison: University of Wisconsin, 1978); Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in Peter B. Evans, Dietrich Rueschmeyer and Theda Skocpol, eds., Bringing the State Back In (Cambridge: Cambridge University Press, 1985) and Alfred Stepan The State and Society: Peru in Comparative Perspective (Princeton, NJ: Princeton University Press, 1978). See Thelen and Steinmo (1992) for a summary of the development of historical institutionalism.

framework, rather than directing their energies to resisting, eroding or terminating that framework. (Stepan 1978:292)

By defining institutionalization in this fashion, Stepan emphasizes the autonomous power a regime *may* possess: it is capable of “control,” establishes patterns and forges constituencies. He draws attention to the role of institutionalization (i.e., the construction of rules) in political-economic life.

Skocpol (1985) similarly emphasizes the role of the state in political-economy. Like other historical institutionalists, she usually approaches the study of her subject matter in an inductive manner. Skocpol, in “Why I am a Historical Institutional (1995),” explains that in her 1992 book,¹¹ the patterns she tries to explain came to her attention through “empirical rummaging, not theorizing” (Skocpol 1995:104). Similarly, Thelen and Steinmo explain that,

Rather than deducing hypotheses on the basis of global assumptions and prior to the analysis, historical institutionalists generally develop their hypotheses more inductively, in the course of interpreting the empirical material itself. The more inductive approach of historical institutionalists reflects a different approach to the study of politics that essentially rejects the idea that political behavior can be analyzed with the same techniques that may be useful in economics. (Thelen and Steinmo 1992:12)

The unearthing of the evidence for this study of institutional impacts during the implementation of neoliberal reforms similarly contributed in an inductive fashion to the construction of subsequent hypotheses about institutional significance. The historical institutional perspective provides the best support for both the qualitative examination and the sub-national level of analysis used here.

¹¹ Theda Skocpol, Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States (Cambridge: Cambridge University Press, 1992).

Themes of historical institutionalism

What sorts of evidence do historical institutionalists uncover? The work of historical institutionalists is diverse, with three prominent themes: “*preference construction / political construction of interests*,” “*contextual causality*” and “*contingent development*” (Immergut 1998:20). Within each of these three types, some theorists’ approaches are more structural and some are more interpretive (Immergut 1998). Each of these three themes is reviewed in order to reveal what types of things historical institutionalists work on, and to better compare this type of approach to the other new institutionalist approaches discussed above.

Historical institutionalists who work on the *political construction of interests* do not claim that “norms dictate to actors what should be their behavior,” but rather, that,

Instead, institutions—be they the formal rules of political arenas, channels of communication, language codes, or the logics of strategic situations—act as *filters that selectively favor particular interpretations* either of the goals toward which political actors strive or of the best means to achieve these ends. (Immergut 1998:20, emphasis added)

By understanding that institutions act as filters, historical institutionalists emphasize the ways that they influence outcomes. This serves as a response to the criticism of non-institutionalists who argue that institutions do not have the capacity for autonomous influence besides that originating in the organization’s membership. This type of analysis parallels work by sociological institutionalists on “experiential learning” described earlier.

Historical institutionalists also examine the *contextual logics of causality*, that is, they “tend to see complex configurations of factors as being causally significant” (Immergut 1998: 22,19). This means that the historical circumstances are important, and

makes generalization challenging, yet not impossible. Institutions are seen as providing ✓
the contexts in which individuals make decisions:

Mental constructs, economic and social institutions, and politics interact to channel economic development along different paths, for instance, without one necessarily being able to determine which of these elements is causally primary or even to know whether the same combination would produce the same results if repeated at a later point in time. (Immergut 1998:19)

The examination of the path dependency of development by historical institutionalists is similar to the work of neoinstitutionalist Douglass North (1990) as well as the work on policy martingales among sociological institutionalists. The similarities between different types of neoinstitutionalists are highlighted by this example. These path dependency approaches do have subtle differences: North's neoinstitutionalism begins with (qualified) assumptions about the behavior of individuals, sociological institutionalism begins with assumptions about the role of institutions, and historical institutionalists are eclectic, using either a calculus approach or a cultural approach (Hall and Taylor 1996:939-940).¹²

A third theme common in the work of historical institutionalists is that of *contingent development*. By emphasizing the fortuitousness of political, economic and social development, historical institutionalists are able to reveal how irrational outcomes often come to pass. They show the difficulties of predicting future events with certainty:

Our understanding of particular events and developments is constrained by the large role played by chance. Quirks of fate are responsible for accidental combinations of factors that may nevertheless have lasting effects. In addition, self-conscious political actors... can divert the supposedly ineluctable march of progress onto unexpected paths. (Immergut 1998:19)

¹² According to a calculus approach, institutions provide actors with information that affects their choices, whereas according to a cultural approach, individuals are seen as satisficers who follow routines (Hall and Taylor 1996:939).

This theme in historical institutionalists' study of contingent development also resembles the sociological institutionalist research on "policy martingales," as well as that on "garbage cans."

These three themes have many areas of overlap and scholars often articulate several of them in a single piece of work. Skocpol's research emphasizes the contingencies of development (Immergut 1998:24), yet there are elements of the other themes in her work as well. Skocpol adopts what she calls a "polity-centered approach," which draws attention to four types of processes:

One, the establishment and transformation of state and party organizations through which politicians pursue policy initiatives. Two, the effects of political institutions and procedures as well as social changes and institutions on the identities, goals, and capacities of social groups that become involved in politics. Three, the fit or lack thereof between the goals and capacities of various politically active groups and the historically changing points of access and leverage allowed by a nation's political institutions. And four, the ways in which previously established social policies affect subsequent policies over time. (Skocpol 1995:105)

The first two processes fit the thematic category of the political construction of interests, the third process approximates the theme of the contingency of development, and the fourth process roughly matches the theme of the contextual causality. The examination of the impacts of state institutions in Mexico (see Chapters 5 and 6) highlights similar processes as those mentioned by Skocpol and draws attention to all three themes described by Immergut. The relevant variables in historical institutionalist analyses are the institutions themselves. Institutions influence decision-making, thereby impacting social, economic and political development. ✓

Policy Implementation Literature

This review of a broad spectrum of institutional perspectives has revealed some similarities and differences in institutional approaches in a number of fields and across time. Obviously, no such brief review could hope to really do justice to the vast literatures that expound on the ideas of the leading figures in various theoretical areas. The goal, rather, was to show the utility of institutional approaches, and to relate the perspective on institutions used here to the work of others. Yet there is an important literature that has thus far been excluded from the discussion, namely, the study of policy implementation.

Policy implementation is one of many approaches within the field of public administration. The study of public administration was distinguished from the study of politics by Woodrow Wilson in "The Study of Administration" (1887), and this dichotomy has influenced research on administration and politics through the present time (Kettl 1993:407). Scholars regret that the divide between the two fields leaves each one incomplete, and maintain that we should attempt to link them to overcome this problem (see, e.g., Katznelson 1998:196; Kettl 1993:408).

The present research examines the impact of institutions on the implementation of neoliberal reforms. Literature on policy implementation addresses the problems that arise when instituting policies. Since the implementation of neoliberal reforms seemed to be heavily influenced by political, institutional and bureaucratic factors, the institutionalist approach will be supplemented with insights from the study of policy implementation. The reason for doing so is to try to overcome some of the shortcomings that result when the study of administration is divorced from the study of politics.

Policy implementation literature examines “the compatibility between a given policy and the specific state organization responsible for implementing it” (Rothstein 1996:21). Studies of implementation stem from a Madisonian tradition in American politics; this tradition is “wary about too much governmental action, and they are cautious about the concentration of governmental—especially administrative—power” (Kettl 1993:407). The study of policy implementation was formalized with the publication of research by Jeffrey Pressman and Aaron Wildavsky (1973).¹³ Pressman and Wildavsky explain that,

The study of implementation requires understanding that apparently simple sequences of events depend on complex chains of reciprocal interaction. Hence, each part of the chain must be built with the others in view. The separation of policy design from implementation is fatal. It is no better than mindless implementation without a sense of direction. (Pressman and Wildavsky 1979 [1973]:xxiii)

Implementation studies focus on the program as the unit of analysis rather than the organization, as other types of public administration studies do (Kettl 1993:413). ✓

The study of policy implementation evolved through three stages following the publication of the pioneering work by Pressman and Wildavsky (1973) (Kettl 1993). In the first stage, from 1973 through the mid-1980s, implementation literature focused on government failure (Kettl 1993:414). The second stage literature argued that policy implementation success was possible but context dependent (Kettl 1993:414). This stage shares characteristics with the historical institutionalist literature emphasizing contextual causality. Like the contextualists of historical institutionalism, these analysts had difficulty

¹³ Pressman, Jeffrey and Aaron Wildavsky (1979[1973]) Implementation: Or How Great Expectations in Washington are Dashed Out in Oakland, 2nd ed., Berkeley and Los Angeles: University of California Press.

in generalizing their findings. The most recent stage of policy implementation literature examines in a more integrated fashion which conditions produce which type of results (Kettl 1993:415).

Although the literature on policy implementation is useful when combined with the insights of other types of analyses, on its own it suffers from certain shortcomings.

Implementational analysis lacks attention to the origins of power:

The problem with implementational analysis... is its myopic view of the organizational problem and, more specifically, its failure to address more general questions of the configuration of political power and social structure in capitalist societies. (Rothstein 1996:31)

The micro-level of analysis of policy implementation studies can thus best be used as a complement to mid- and macro-level approaches. Hall (1992) describes these three levels of viewing politics.¹⁴

Rothstein (1996) links these different levels of analysis in his examination of the limits of political reformism in Sweden, revealing how different levels of analysis, ranging from the macro- to the micro-level, can be used to study reformism. State theories, such as theories addressing the relationship between state and society, are pertinent at the macro-level (Rothstein 1996:21). At the mid-level and micro-level, institutional theory (or organization theory) and implementation theory are appropriate (Rothstein 1996:21). Both Rothstein (1996) and Hall (1992) combine insights from each perspective to form an analysis that is solid and textured.

¹⁴ Rothstein (1996) differentiates, for example, between the (macro-) "overarching level" of a market economy with a democratic polity, the mid-level organization of the national political economy such as labor union organization, the structure of firms, party system organization, etc., and the lowest level, namely, the standard operating procedures of public and private organizations.

The conceptual linking between levels of analysis suggested by scholars such as Hall and Rothstein works well for the present analysis as well. These macro- and micro-level analyses can be linked in a similar manner. From a macro-level, state-society relations are described as *corporatist*, that is, the state has a relationship with vertically organized societal groups that is defined by varying degrees of power and compromise. Corporatist concepts about the relations between state and society “explain the administrative structure and capacity of the state” and they are “visible in the patterns and behavior of specific state apparatuses” (Rothstein 1996:33). In discussing empirical details, reference is made to the impacts of “corporatist institutions” of the state (see Chapters 5 and 6). This draws attention to the impact of macro-level structures (such as the corporatist organization of state-society relations) upon more mid-level and micro-level structures and processes. For the mid-level of analysis, a historical institutionalist approach is taken. Useful micro-level analysis is found in the study of policy implementation.

A variety of insights from the study of policy implementation will add to the interpretation of the empirical subject matter of this study at the micro-level. The capacity to implement policies depends upon the *legitimacy* of the agency in charge of implementation:

The very process of implementation can be the critical question, especially if the policy takers are an organized interest group whose participation is needed for successful implementation. One way of achieving this legitimacy is to grant such groups semiofficial status (and not merely in policy formulation, but also in implementation. (Rothstein 1996:37)

This explains how some groups become affiliated to the state, and subsequently impact the success or failure of state policies. Thus incorporation may be used as a means of aiding

the successful implementation of policies. By contrast, then, alienating previously incorporated groups might limit the success of new policies. This point becomes significant when examining the relationship between political and economic liberalization, as described in subsequent chapters. Although neoliberalism might call for alienating certain privileged groups (in pursuit of political liberalization), the overall success of implementing the reforms may sometimes (though not always) rely upon *retaining* corporatist ties to key interest groups.

Another insight gained from the study of policy implementation is the relationship between old agencies and new policies. Unless a new policy is similar to traditional policies, a pre-existing organization will have difficulty implementing it, because it will have to change its self-image as well as its traditional client groups in order to succeed (Rothstein 1996:38-39). New agencies, by contrast, will have an easier time implementing new policies. Similarly, the “ideological orientation and professional norms of the bureaucratic staff” are important (Rothstein 1996:39). These themes gain significance during the empirical discussions in Chapters 5 and 6.

Conclusion

The theoretical perspectives considered above address the impact of institutions and agents on development policy implementation. The significance granted to institutions *per se* varies considerably. For the present study, a historical institutionalist perspective will provide the most meaningful insight into the outcomes of the implementation of neoliberal development policies. By examining institutional context and institutional

power, the linkages between past, current and future developments are revealed and insights are gained into whether new policy designs will result in their desired outcomes.

The need for research like this on institutions is succinctly described by sociologists Hannan and Freeman:

We have expressed reservations about the power of efficiency in dictating change in the world of organizations. Although we recognize that considerations of efficiency have powerful consequences for many kinds of organizations, we feel that they do not obviously override institutional and political considerations. ...Theory and research that address these connections are sorely needed. (Hannan and Freeman 1989: 339)

To better understand the interactions between the international, national, and subnational influences on development, the present research will examine the impact of institutions primarily from a mid-level of analysis using a historical institutionalist perspective. Where neoliberal reforms fall short of their intended goals, the impact of institutions on the implementation of reforms is studied. Historical institutions of the state are shown to have significant impact on the speed and depth of reforms. Various institutional perspectives are synthesized where analytically possible and logical, emphasizing the strengths of those most applicable to the present examination.¹⁵

The historical institutionalist approach used here begins with assumptions about institutions. The analysis is also supplemented with insights from the macro-level of state-society relations. Corporatist state-society relations create patterns of behavior visible in state institutions. Micro-level analyses revealing how the beliefs of agents affect policy implementation also bolsters the examination. For example, in Chapter 6, an explanation

¹⁵ See Rothstein (1996:23) for a defense of a similar approach linking Marxist analysis, historical institutionalism and policy implementation approaches.

is provided as to how the beliefs of *ejidatarios* interact with the influence of *ejidos* during the implementation of *ejidal* reforms. The tension between the neoliberal demand for efficiency expressed explicitly at the national and international levels, and the reality of political and institutional power at the subnational level will be exposed.

CHAPTER 3

STATE INSTITUTIONAL POWER DURING THE IMPLEMENTATION OF NEOLIBERAL POLICIES IN LATIN AMERICA

This chapter provides a general discussion of the role of state institutions in Latin America since the Great Depression. This historical perspective of the role of state institutions moves through various development phases: from a discussion of import substitution industrialization (ISI) through the crisis of the populist state and the spread of neoliberal reforms. The goals of neoliberal reforms are examined and evidence of the contraction of state institutions in the economic sector is presented. Yet the speed and extent of the implementation of neoliberal reforms continues to lag behind original expectations. This chapter begins to challenge the notion that certain neoliberal reforms will soon achieve their goals, by pointing to noteworthy flaws that arise during their implementation.

During the transformation to more neoliberal policies, some period of lingering inefficient, weak and even contradictory policies is not surprising. Despite the transformations of structural adjustment and liberalization, do some historical institutions of the populist state continue to have an unexpectedly strong influence? Do other institutions, although sharply curtailed by reforms, nonetheless leave heritages that moderate the neoliberal project in a myriad of ways? Evidence of such institutional “stickiness” will be considered, and the extensiveness and durability of such influences will be further examined.

These questions delve into the meaning of the historical roles of both formal and informal state institutions under the neoliberal project. Much literature from the 1980s and through the mid-1990s presents the neoliberal project as one that will change (or is in the process of changing) the role of state institutions quite rapidly under the strength of neoliberal pressures.¹ However, at the turn of the 21st century, some analysts are proposing a different outcome in the balance between state institutions and the market, one that foresees the continuation of a very important role for the Latin American state in national development.²

Beyond the question of whether some state institutions that contradict neoliberal policy goals continue to thrive are other relevant questions. Are new institutions being created to fulfill the informal commitments that the populist state has historically kept, despite the fact that their new mandates essentially undermine parts of the neoliberal project? Similarly, are older institutions being reborn with new names but identical mandates?

This chapter will shed light on these questions by examining the status of the reforms in a cross-section of Latin America. It argues that institutional phenomena limit the successful implementation of neoliberal reforms. A historical institutionalist approach provides the framework for this examination of development during the implementation of neoliberal reforms in Latin America. The historical imprinting of institutions discussed by Hannan and Freeman suggests a partial explanation for the abundance of state institutions

¹ See, for example, Bergsten and Williamson (1994), Bhagwati (1991), Morales (1993), Smith and Acuña (1993).

² For a discussion, see Burki and Perry (1998) and Bradford (1994).

deemed inefficient and / or inappropriate during the 1980s and 1990s in Latin America. As will be discussed, historical imprinting is conspicuous on both formal and informal institutions and affects the attempt to reform them. The applicability of a historical institutionalist perspective to the present study is clarified using this general discussion about Latin American state institutions as a starting ground. This chapter sets the stage for a case study of one Latin American state (Mexico) to shed more light on the role of institutions during neoliberal reforms.

Latin American Development Strategies and Institutional Heritage

Prior to the Great Depression, Latin America was heavily dependent on exports for its economic growth. A succession of balance-of-payments crises resulted in a critical rethinking of the conventional belief in the benefits of free trade, and the adoption of a new growth strategy in the region (Dietz 1995a:9). The Great Depression had isolated world markets, creating incentives for the development of domestic industries. The new growth strategy was embodied in the ISI model of development.

ISI could be either horizontal or vertical (Dietz 1995a:9,10). Horizontal, or “easy” ISI emphasized the “domestic production of simple, nondurable, manufactured consumer goods—furniture, textiles, glassware, beverages and so on—to replace those being imported” (Dietz 1995a:9). This type of ISI was especially popular as early as the 1930s, and during this period many of the bureaucratic agencies of the state began to grow in Latin America. In the creation of these institutions of public administration, European concepts of public administration were matched with United States (U.S.) techniques such as scientific management and other technical administrative skills (Graham 1990:35-36).

The characteristics of formal institutions were imprinted even earlier than is readily apparent upon first examination (Graham 1990).³ After the 1930s, the involvement of the state in development grew rapidly.

In the early decades of horizontal ISI, the region enjoyed a growth in industrialization, but the strategy had inherent limitations, since domestic markets were limited (Dietz 1995a:10). At this time, the scholarship of Raúl Prebisch, the first director of the United Nations Economic Commission for Latin America (ECLA) gained significance.⁴ In the 1940s, Prebisch formulated a concept of “unequal exchange” in the trade relations between developed countries at the “center” of the world economy and developing countries at the “periphery” (Prebisch 1950). According to Prebisch, the countries that industrialized first enjoy an advantage that is perpetuated over time.⁵ Peripheral countries supply raw materials to central countries at ever deteriorating terms of trade. According to this hypothesis, the world economic system is characterized by a hegemonic relationship of the center over the periphery. To break this hegemony, price protections for primary products were necessary along with rapid industrialization of the periphery (Love 1995[1980]:112).

In an effort to break out of this relationship, after World War Two the second stage of ISI, vertical ISI, had begun (Dietz 1995a:10). Vertical ISI was adopted by larger

³ For the case of Mexico, which has had a very stable political system since the Mexican Revolution in the early 20th century, state institutions are organized and operate in ways that often reveal roots predating World War Two.

⁴ The name of the ECLA was later changed to the Economic Commission for Latin America and the Caribbean (ECLAC).

⁵ For a discussion, see Ocampo (1995 [1993]).

countries (Argentina, Brazil, Chile and Mexico), to encourage the production of intermediate and capital goods (Dietz 1995a:10). Many formal state institutions became more heavily involved in the economy at this time. Formal and informal state institutions created during the period were thus imprinted with characteristics suited to the ISI model. For example, corporatist and clientelist institutions rewarded particular groups and individuals that were instrumental in promoting industrialization. Some of these institutions were more adaptable to the changing needs of states over the decades, while others stagnated in their original functions.

As vertical ISI policies continued during the 1950s and 1960s, ECLA and the World Bank encouraged development planning, and the Alliance for Progress⁶ urged agrarian and tax reforms (Gerchunoff and Torre 1992: 259). The state's ability to intervene in national development to the extent that it did during the era of import substitution attests to the enormous capacities of the state in Latin America at the time. In order to direct the economy, the Latin American state:

- invested heavily in the kind of infrastructure required by industry, such as new roads, water and electricity supplies;
- kept labour costs down in urban areas by subsidizing basic foods and imposing price controls
- protected local industries against foreign competition by imposing import taxes and 'non-tariff barriers' such as import quotas;

⁶ The Alliance for Progress was a U.S. assistance program for Latin America implemented by the Organization of American States which ran from 1961 to 1973. Goals included the reduction of poverty, increased social equity, economic and social planning as well as anti-communism. Commitment to the Alliance was lacking both in the U.S. and in Latin America.

--nationalized key industries such as oil, utilities and iron and steel, and established new ones. This produced a large state sector, intended to play a leading role in developing the economy;

--supported an overvalued exchange rate, making Latin America's exports expensive and imports cheap. This hurt exports, but helped industry by reducing the price of imported machinery and inputs, while tariff and non-tariff barriers ensured that the relative cheapness of imports did not undercut their products. An overvalued exchange rate also kept inflation down by ensuring cheaper imports. (Green 1995:16-17)

This enormous role for the state came under attack under neoliberalism. The ISI model contained some inherent economic flaws.⁷ These flaws were the focus of growing criticism from the 1970s onward. In the 1990s, such state-led development policies may appear to have been overly reliant on political, rather than economic, incentives to development. Given the strength of the current neoliberal consensus, such plans today are discarded as recipes for stunted national development in the long term.

What was the actual result of the application of this advice? Conclusions vary depending upon the observer. Evidence shows that in terms of economic growth, post-World War Two performance was in fact quite remarkable (Teitel 1992). As one analyst acclaims, "During the period 1950-80, Latin America's gross domestic product (GDP) increased at an average yearly compounded rate of 5.5 percent, a performance not significantly surpassed by any other group of countries--developed or developing" (Teitel

⁷ The inherent economic flaws have been elaborated by Dietz:

Latin America's model of growth and development...depended for its dynamic on a relatively small proportion of the domestic population with sufficient disposable income to purchase the output of the promoted industries, an output often of lower quality and higher price than the foreign substitutes suppressed by the high tariff barriers of ISI. The inherent growth limits of this strategy as a motor of development, absent a more equitable distribution of income, are indisputable. (Dietz 1995a:11)

1992:356). The diversification of Latin American economies and the creation of jobs and income that resulted from the use of ISI has also been lauded (Alexander 1995 [1990]:165). For example, ISI policies developed textile industries throughout the region (Alexander (1995 [1990]:164). Economic indicators for Latin America and the Caribbean (from 1950 through 1997) are shown in Table One. Table One reveals that both overall GDP growth rates and per capita GDP growth rates during the decades of ISI compare favorably with the corresponding growth rates of the decades of neoliberal reforms.

The development of Latin American markets during the period since 1950 may be compared to the development of United States markets between 1870 and 1910, one of the most dynamic experiences in worldwide capitalist development (Tokman

Table One: Latin America and the Caribbean: Economic Indicators by Decade since 1950

(In percentages)

Decade	Leading Economic Development Model of the Decade	GDP Growth		Inflation	Foreign Trade	
		Overall	Per capita		Exports	Imports
		Annual rates of variation				
1950-1959	ISI	4.9	2.1	17.8	4.0	3.2
1960-1969	ISI	5.7	2.8	21.6	4.5	4.1
1970-1979	ISI	5.6	3.1	37.9	2.6	7.8
1980-1989	Neoliberal	1.7	-0.4	203.4	5.4	0.0
1990-1997	Neoliberal	3.2	1.4	160.7	9.1	14.2

Source: Economic Survey of Latin America and the Caribbean 1997-1998, United Nations, Santiago, Chile, 1998, pp. 346, 350, 355, 360, 365.

1993:131).⁸ Employment absorption in modern nonagricultural sectors grew rapidly in each area. In Latin America between 1950 and 1980 growth in employment in modern nonagricultural sectors was 4.1 percent per year (with manufacturing reaching 3.5 percent per year), whereas in the U.S., employment in modern nonagricultural sectors grew at 4.4 percent per year between 1870 and 1910 (Tokman 1993:131).

Critics of the ISI period often point to the lack of development in industry / manufacturing sectors. Yet the comparison with a similar period of development in the United States reveals that Latin America is not as unique as is sometimes believed (Tokman 1993). The development of employment in the manufacturing sector was actually similar in some ways to the earlier experience of the United States,

Between 1950 and 1980 employment in the secondary sector in Latin America declined from 42 percent to 39 percent of the nonagricultural labor force. Between 1870 and 1900 secondary employment in the United States dropped from 50 percent to 48 percent. This means that the decline of secondary employment, as well as the sharpness of this drop, is not peculiar to Latin America, as believed in the past (ECLA 1966). (Tokman 1993: 132)

Scholars who do criticize the economic development of the period argue that the gains during the decades of the 1950s and 1960s came at the expense of future competitiveness of the region during the 1970s and 1980s.⁹ As Table One has shown, a

⁸ A similar type of comparison of some Latin American countries during the 1960s to the United States during the 1880s is also made by Merkx (1991). The percentage of the population employed by the primary sector (basically agriculture) is around 50 percent for Brazil, Mexico and Peru during 1960 and for the United States during 1880 (Merkx 1991:159).

⁹ For example, Deepak Lal argues that among large debtors, especially in Latin America, the domestic problems these countries face in raising the requisite resources for debt service and converting them into foreign exchange...are due to their endemic fiscal problems and dirigiste trade control systems that

sharp downturn in overall GDP growth occurred in the 1980s, with a negative per capita change in growth for the region as a whole. Critics maintain that several decades of ISI created nationally-subsidized industries that were inefficient and could not compete internationally, and that such industrial growth created short-term gains at the expense of long-term prosperity and economic stability. Politically, they argue, ISI empowered sectors and individuals close to the ruling party, thus undermining the development of democratic politics throughout the region. The impact of this historical period is still being experienced. With the hindsight of the late 1990s, the shortcomings of the period of ISI development seem in significance to be matched by the shortcomings of the neoliberal reforms that followed.

The Latin American populist state took a variety of forms in the post-World War Two era. Despite variety in the style of governmental leadership, in general the state was fairly strong and active, taking responsibility for national economic development through ISI policies. The assessment of institutionalized political capacity is relevant to the evaluation of development in the region at the time.

State capacity includes many features. State capabilities are the basic administrative and coercive functions of the modern state (Mauceri 1995:10). Three arenas of state power exist: "the state's own organizational structure, the state's ability to influence the behavior of societal actors, and the state's relation with other states and supra-state actors" (Mauceri 1995:10-11). A variety of indicators of state power exist, including: state administrative presence; the ability to regulate the economy and administer

state economic resources via fiscal and monetary policies (e.g., taxation); administrative autonomy; public enterprises; regulatory agencies; state capacity to maintain and repair basic infrastructure (such as transportation, communication and energy networks); human infrastructure; state bureaucracy; the ability to reshape society (e.g., via agrarian reform); a system of corporatist organizations to encourage societal participation (Mauceri cites SINAMOS, a Peruvian state agency designed to support social movements); the ability of a state to repress challenges to its power; and the ability of a state to maintain a strong position internationally (e.g., to avoid having international lending agencies dictate domestic policies) (Mauceri 1995:11-15). Although these indicators are not quantified, this list provides a way of thinking about the institutionalization of the political capacity of the Latin American state.

To complete the definition of institutionalized political capacity, informal institutions must also explicitly be encompassed, since informally institutionalized interactions are common in Latin America. Institutionalized political capacity thus refers to the consolidation of control through both formal and informal means. The definition of institutionalization provided by Stepan (1978) is relevant here, as discussed in Chapter 2. A regime has institutionalized political capacity if its goals are supported by formal institutions such as laws, regulations and contracts, as well as informal institutions such as trust, ethics / values and political norms (Burki and Perry 1998:12). The strengths of both formal and informal institutional political capacity in many Latin American countries make them important factors to consider in any study of development policies in the region.

During the ISI period, Latin American institutionalized political capacity strengthened considerably. The state nationalized key industries, gaining control over vast

resources. Latin American states distributed these resources in a populist fashion over several decades. These states strengthened their corporatist and clientelist ties with organized groups and influential individuals. In Mexico, for example, the state used import licensing and the licensing of interest groups to gain governmental control, and the state mushroomed. The ISI period created state institutions for power over the distribution of permits, tariffs, rules and regulations. The number of public servants grew, and the state eventually generated approximately one-third of national economic activity (Grayson 1998:29).

Although it is difficult to generalize about the extent of state institutional capacity in Latin America because of national diversity, by the 1970s, many Latin American states had penetrated society and had well-developed coercive and administrative infrastructures (Grindle 1994:307). A number of Latin American states experienced military coups during the 1960s and 1970s, but these new military regimes in Argentina, Brazil, Chile, Peru and Uruguay were more institutionalized than earlier personalistic military regimes. They were labeled “bureaucratic-authoritarian” states (O’Donnell 1973). Other states, such as Colombia, Costa Rica and Venezuela did not experience military coups. In these states, organized labor was incorporated through the political party system (Wiarda 1995b:75). Among both bureaucratic-authoritarian and more liberal regimes in Latin America, institutionalized political capacity during the period of ISI may be compared positively to that of other developing areas at the time.¹⁰

¹⁰ For example, in Africa at the time, on the other hand, the political capacity of the postcolonial state was weak. In general, African states had a bloated administration but few deep connections with society. One reason for the distinction is the African states’ lack of resources when compared to their Latin American counterparts.

In terms of social performance the development picture is also somewhat clouded, since the determination of social indicators of development is also quite subjective. Little consensus exists over which indicators are most important, data from any developing area are subject to serious shortcomings in terms of reliability and older historical data are fraught with even more deficiencies. Nonetheless, the customary portrayal of Latin American social development during the 1950s through the 1980s is overly dour (Teitel 1992). If one examines such indicators as life expectancy, nutrition, adult literacy, university or tertiary education and others, Latin America's social development under the ISI period ranks better than or similar to other developing areas (Teitel 1992: 360).

Social indicators such as life expectancy, infant mortality and illiteracy rates show positive changes during the ISI period (Lustig 1993:69). Despite structural flaws in Latin American economies, "although in different and unfair proportions, major social sectors managed to improve their living standards during the whole postwar period until the 1980s" (Sunkel 1993:41). During the 1960s the proportion of households below the poverty line declined (Lustig 1993:668-69). Latin American schooling and nutrition also improved during the ISI era (Lustig 1993:69-70).

In sum, the period of state-led development in Latin America coincided with high ✓ rates of GDP growth and average or better than average social development when compared with other developing areas (Alexander 1995 [1990]; Brachet-Marquez 1994; Grindle 1994; Lustig 1993; Sunkel 1993; Teitel 1992). Given that the assessments of development in Latin America in the decades following World War Two are varied and frequently quite positive, why did so much of the region switch its overarching development model during the 1980s? What factors led to these broad policy shifts?

The answer for Latin America may best be understood with the aid of a historical perspective on economic development after the 1960s, particularly in viewing the difficulties which came to light in 1981/1982 with the onset of the debt crisis. The ISI model began to falter after the 1960s, when many of the most obvious substitutions had already been accomplished (Alexander 1995:159). Yet even during the years following the first oil shock in 1973, many countries borrowed heavily, enjoying low interest rates on loans for development.

As early as the 1970s, a consensus about the importance of market-oriented reforms was growing (Valdés-Ugalde 1996:57). With the onset of the second oil shock in 1979, however, credit tightened and free-floating interest rates soared.¹¹ Latin American states continued to borrow despite the high interest rates attached to loans. This continued until 1982, when Mexico declared a moratorium on its debt payments. Credit became completely unavailable, forcing Mexico and other Latin American states to cut spending in response to the demands of Bretton Woods lending institutions. To qualify for the receipt of loans from the IMF and the World Bank, states had to adopt economic stabilization programs followed by structural adjustment programs (SAPs). Neoliberal policies were the recommended solution to the economic problems faced by Latin America and other developing areas, as explained below.

The Spread of Neoliberalism

Latin America's apparent widespread acceptance of neoliberal national development policies (beginning with Chile in the 1970s) represents a major switch from

¹¹ For a discussion, see Teitel (1992).

its state-led development policies implemented after the Great Depression. In the early 1980s structural adjustment programs brought pressure to reform many state institutions. The size and number of state institutions has already been cut and / or is still being cut in many countries.

As introduced briefly in Chapter 1, neoliberal recommendations included adjusting domestic economies, reducing barriers to free trade and slashing the involvement of the state in the economy. Neoliberal theories advocated fundamental changes in the roles of state and market. Dietz critically summarizes the neoliberal perspective as “the apparent generalized...assertion that state intervention into the economic sphere is by nature inefficient and incapable of positively contributing to the development project” (Dietz 1995b:192). His criticism is harsh, and may be valid for only a handful of the most extreme neoliberals, but it does capture the spirit of the strongest critics of the Latin American populist state. After the debt crisis, neoliberal views gained force and ISI lost credibility:

The consensus post mortem view held the whole complex of import-substitutions policies responsible for what was essentially a crisis of overspending exacerbated by the fickleness of international capital markets. It became commonplace to view the debt crisis as the consequence of import-substitution (‘inward-oriented’) policies. The intellectual ground was therefore cleared for the wholesale reform of prevailing policies in Latin America, Africa, and Asia. Orthodox economists who had the ear of policy makers now had their chance to wipe the slate clean and mount a frontal attack on the entire range of policies in use. (Rodrik 1996: 16-17)

The fall of the Iron Curtain and the breakup of the Soviet Union in the late 1980s and early 1990s added further support to the idea that the market is far better suited to drive an economy than is the state. The expectations were that the change in state influence would cut the incidence of corruption and other non-democratic practices, since economic

assistance would not be tied to partisan or clientelistic relations with certain sectors or firms. Neoliberal views were prominent in the United States government, the U.S. Federal Reserve Board, and the IMF and the World Bank (Nazmi 1996:5).

Neoliberal ideals were embodied in what became known as the “Washington Consensus.”¹² The “Washington Consensus” was formally identified following a 1990 conference sponsored by the Institute for International Economics in Washington, DC. The conference gathered together “a group of Latin American and Caribbean (LAC) policy-makers, representatives of international agencies, and members of academic and ‘think-tank’ communities” (Burki and Perry 1998:1). In response to development needs at the time, “Washington” had reached consensus on the following policy instruments: (1) fiscal discipline; (2) public expenditure priorities; (3) tax reform; (4) financial liberalization; (5) free exchange rates; (6) trade liberalization; (7) direct foreign investment; (8) privatization; (9) deregulation; and (10) property rights (Williamson 1990). These ten recommendations are sometimes referred to as the “ten commandments” (Nazmi 1996:6).

To what extent did these neoliberals underemphasize the significance of institutions? With the perspective of around a decade of policy reforms according to neoliberal (Washington Consensus) ideals, two World Bank discussion papers¹³ conclude

¹² Economist Nazmi also uses the Washington Consensus to identify neoliberal policy recommendations (Nazmi 1996:5).

¹³ See Shahid Javed Burki and Guillermo E. Perry, (1998) Beyond the Washington Consensus: Institutions Matter, Washington, DC: World Bank, Latin American and Caribbean Studies Viewpoints Series; and Shahid Javed Burki and Guillermo E. Perry, (1997) The Long March: A Reform Agenda for Latin America and the Caribbean in the

that institutions matter more to development outcomes than originally assumed. They rightly note that,

With but one exception (namely, the protection of property rights) the policy prescriptions of the “Washington Consensus” ignored the potential role that changes in institutions could play in accelerating the economic and social development of the region... (Burki and Perry 1998:1)

The Washington Consensus generally neglected the myriad ways that institutions *affect* the implementation of neoliberal reforms, be they positive or negative for development. State institutions were generally perceived as limits on reforms that could be overcome in the short term. The Washington Consensus viewed institutions more as hindrances to development than as entities that might decelerate and distort neoliberal reforms.

Through the mid-1990s, neoliberals were confident about the eventual outcome of their policies. In 1994, the mood of policy-makers and investors in Latin America was very positive; Burki and Perry explain that, “Doubters and skeptics were a small minority and their voices were drowned out by the crescendo of the *alleluia*” (Burki and Perry 1997:ix). This changed significantly after the Mexican peso crisis of December 1994, which threatened investors in other parts of Latin America and other developing areas as well.

In The Long March (1997), Burki and Perry provide a detailed analysis of the recent status of reforms in Latin America, as well as a reform agenda for Latin America for the next decade. They refer to “first generation” and “second generation” neoliberal

reforms, and explain that following the implementation of first generation reforms (through the late 1990s),

...there is now a general awareness among policymakers that additional reforms need to be undertaken if LAC economies are to grow more than 6 percent a year... Policy makers also believe that many of the reforms vaguely referred to as 'second generation' reforms are different from, and more problematic than, the 'first generation' reforms. (Burki and Perry 1997:x)

The second generation of reforms moves beyond the neoliberal reform goals of the Washington Consensus. Reform goals now include a deeper attention to the potential contributions of institutions to the reform process. As the same authors summarize in

Beyond the Washington Consensus: Institutions Matter (1998):

The Long March concluded, then, that further reforms were needed to achieve higher sustained rates of growth and to make a more significant dent in poverty reduction. It identified, in particular, the need to focus on improving the quality of investments in human development, promoting the development of sound and efficient financial markets, enhancing the legal and regulatory environment (in particular, deregulating labor markets and improving regulations for private investment in infrastructure and social services), improving the quality of the public sector...and consolidating the gains in macroeconomic stability through fiscal strengthening. The report showed that such reforms would entail considerable 'institutional' reforms. (Burki and Perry 1998:1-2)

Thus the second generation of reforms involves attention to institutions previously left out of first generation reforms. Indeed, the Washington Consensus did not anticipate that the role of institutions would prove to be so significant to the resolution of development problems. This has been a fundamental flaw in its implications for development. Neoliberal theories about development have tended to overlook potentially significant institutional effects. In later chapters (5 and 6), state labor and agrarian institutions, public sector institutions and other types of institutions mentioned by Burki

and Perry are discussed, to show how they have impacted the implementation of neoliberal reforms.

Neoliberals have also been focused disproportionately on economic growth as a desired outcome. Burki and Perry explain that:

The expectation, however, was not only that globalization and the 'first-generation' reforms would raise economic growth rates, but that they also would significantly reduce poverty and inequality. Indeed, capital inflows and export growth were expected to promote the development of labor-intensive sectors. This has not occurred. (Burki and Perry 1998:1)

Hence, in the search for a deeper understanding of development problems and possible solutions in Latin America, neoliberal policies appear to have misread both: (1) the potential persistence of state institutions which may hinder neoliberal reforms, and (2) the potentially negative development outcomes that could occur if, as a result, neoliberal reforms were implemented in a distorted fashion. Before turning to an investigation of the role of institutions during the implementation of neoliberal reforms, a general evaluation of the success of neoliberal reforms in the achieving their objectives is provided. The remainder of this chapter examines evidence from a variety of sources on Latin America.

The Emphasis on Change in Literature about Neoliberal Reforms

Much of the literature about neoliberal reforms in Latin America highlights elements of change at the expense of a more balanced presentation of both continuity and change during the period of reforms. For example, Edwards (1995), like many other scholars, puts great emphasis on aspects of change during this period.¹⁴ He explains that

¹⁴ See for example, André Lara Resende, Moderator, Policies for Growth: The Latin American Experience (1995); Guillermo Perry and Ana Maria Herrera, Public Finances, Stabilization and Structural Reform in Latin America (1994); Jorge A. Lawton, Ed.,

early neoliberal reforms were numerous, and groups 22 Latin American countries as “early reformers, second-wave reformers, third-wave reformers, and nonreformers” (Edwards 1995:8).¹⁵ Within each wave, “reformers” move through phases of initiation, implementation and consolidation (as described by Haggard and Kaufman 1992) (Edwards 1995:9). By denominating countries as “reformers,” he implies that elements of change are the defining characteristics of the development arena in these countries (Edwards 1995).

Edwards summarizes the status of neoliberal reforms in Latin America in a way that exemplifies the literature highlighting elements of change. He reiterates the attitudes of many analysts, noting that,

The Latin American reforms of the 1980s and early 1990s are impressive. Most countries opened up their economies to international competition, implemented major stabilization programs, and privatized a large number of state-owned firms. Toward mid-1993, analysts and the international media were hailing the market-oriented reforms as a success and proclaiming that some Latin American countries were on the way to becoming a new generation of ‘tigers.’ (Edwards 1995:6)

Perhaps one of the most emphatic claims about reforms bulldozing preexisting institutions is found in a recent examination of Bolivia (Toranzo Roca 1996). In this chapter, Toranzo Roca argues that neoliberal reforms not only changed economic policies but also transformed political thinking and historical beliefs:

The New Economic Politics approved of in August 1985 was also the beginning of a new strict programme of structural adjustment, and it also

Privatization Amidst Poverty (1994); Carlos F. Toranzo Roca (1996) “Bolivia: Crisis, Structural Adjustment and Democracy,” in Alex E. Fernández Jilberto and André Mommen, eds., Liberalization in the Developing World: Institutional and Economic Changes in Latin America, Africa and Asia, London and New York: Routledge.

¹⁵ “Nonreformers” include the Dominican Republic, Ecuador and Haiti (Edwards 1995:7).

turned into the first phase of the structural reforms which changed the orientation of the economy: Much more than all that, and surpassing the categorical scaffolding used by the international financing organizations, one could assert that with these new economic politics the societal organization of the country was being redesigned and, simultaneously, that its politics, the state, the political system and its articulation with the political actors would be redefined.

The New Economic Politics...caused political and ideological transformation as well, because it had the capacity to change the old political concepts...the old categories of the syndicalist and left-wing radicalism were exorcised from the peoples' minds. (Toranzo Roca 1996:166-167)

Toranzo Roca argues that the Bolivian public was ready for a new ideology after the failure of previous economic policies (Toranzo Roca 1996:166). Yet he leaves the reader with no sense of the other side of the development picture, namely, whether any elements have remained unchanged, and if so, the reasons for their continuity. (Further discussion of the Bolivian case appears in the next section.)

Another powerful example of work emphasizing elements of change rather than continuity is Roberts and Araujo's The Capitalist Revolution in Latin America (1997).

The authors declare,

As the twentieth century enters its final years, Latin America is enveloped in tumultuous change. Countries that had for decades relied on socialist development planning and inward-looking protectionist policies privatized, deregulated, and opened their economies to global trade....[T]he new political leaders burned their bridges to the old order.... From Mexico to Argentina, governments subjected themselves to standards of truth, morality, and justice, elevating the rights of the individual over privileges that had been seized by the state. The outcome of the reforms is a rebirth in all areas of life: economic, political, social, and spiritual. (Roberts and Araujo 1997:10)

Their emphasis on change leads them to overstate the speed and extent of reforms to date. By describing changes as "burned bridges" and "rebirths," they cast aside possible impacts

of institutional continuities. Indeed, they discuss institutions only in the context of institutional change, in reference to the contributions of Douglass North (1990).¹⁶ They argue that the “arrival of capitalism in Latin America” is a time of fundamental changes to the institutional milieu. Yet while they dismiss the old order as irrelevant, they cannot deny the possibility that it might once again prove influential. Roberts and Araujo warn:

If Latin American reforms do not maintain their momentum, then the natural inclination is for the old order to re-infect the system with rent-seeking forms of behavior, permitting privilege to supplant the market as the allocator of resources. (Roberts and Araujo 1997:7)

It is reasonable to note that if the old order can return, it must still exist. Rather than dismissing it, it is better to discuss the ways that institutionalized interactions may remain influential, perhaps through informal means.

Other scholars use language that is less slanted, yet similarly overlook continuities through their focus on change. As an example, Sautter explains that,

...economic policies presently pursued in Peru and other Latin American countries can only be observed with amazement. Old populist recipes are being rejected. A very orthodox policy of budget discipline is pursued, and the liberalization of markets is demanded today just as vehemently as it was rejected before. A dramatic 180 turnaround in the economic order is taking place. (Sautter 1993:10)

Likewise, Green aims to show “the all-encompassing nature of the transformation under way in Latin America” (Green 1995:8). Although it is natural that scholars describe changes as they occur, this has frequently been done at the expense of more balanced evaluations of the development picture in Latin America.

¹⁶ Roberts and Araujo explain that, “As North emphasizes, the path of institutional change determines the level of economic opportunity in a society. This book is about

Other scholars make similar omissions when analyzing the Mexican case in particular.¹⁷ For example, Loaeza (1996) argues that in the 1980s, Mexican political institutions were weakened. Likewise, Otero (1996) argues that a Mexican anti-poverty program created during the neoliberal reform period undermines old corporatist institutions. Teichman (1996) aims to demonstrate that neoliberal reforms have severely undermined the corporatist-clientelist relations of Mexico's traditional political structure. This is another reason Mexico is a good case for further study, since it provides a window for determining to what extent observers of neoliberal reforms tend to overemphasize elements of change while neglecting significant institutional continuities.

Much scholarship about the period of neoliberal reforms has tended to emphasize elements of change rather than continuity (e.g., Edwards 1995; Loaeza 1996; Otero 1996; Toranzo Roca 1996; Roberts and Araujo 1997; Teichman 1996). Other literature presents a picture of the other side of the coin, of the continuities that endure the changes, as discussed in the next section. The authors suggest greater continuity in Latin American political-economic systems than implied by a great deal of the current literature.

Evidence of Continuity due to Institutions during Reforms

Despite the growth of literature documenting the downsizing of the Latin American state, and its assumed positive implications for Latin American development, a

these societal transformations" (Roberts and Araujo 1997:6).

¹⁷ For examples of scholarship emphasizing change in the Mexican case, see Pedro Aspe, *Economic Transformation the Mexican Way* (1993), Wayne A. Cornelius, *Mexican Politics in Transition: the Breakdown of a One-Party Dominant Regime*, (1996), Wayne Cornelius, Ann L. Craig and Jonathan Fox, eds., *Transforming State-Society Relations in Mexico: The National Solidarity Strategy*, Stephen Morris, *Political Reformism in Mexico: An Overview of Contemporary Mexican Politics* (1995).

smaller parallel literature challenges these claims. In an early example of this perspective, Graham reviews the history of the growth of the Latin American state and the origins of pressure to “reduce the size of the public sector, to limit public expenditures, and to improve performance” (Graham 1990:17). He concludes, however, that, “concrete results to date [1990] in the implementation of these policy priorities have been...meager...” (Graham 1990:17). He argues that by 1990 only Chile, and to a much lesser extent, Mexico had implemented privatization policies. Instead, he describes the policy dilemmas in the region:

...[F]or example in Brazil, Mexico, and Peru...stasis also abounds.... [T]he size of national indebtedness and the international pressures to continue to service that debt have placed all governments in the region under tremendous pressure. In such a setting, while policy alternatives continue to be discussed, there has yet to be constructive dialogue around the issue of how to arrive at policies that can respond to the needs of the international financial community, can be defended internally and publicly, and can mediate effectively between internal and external pressures. (Graham 1990: 18)

During this period of uncertainty and international pressures, the development policies implemented throughout Latin America were characterized by a high degree of variation both among and within individual states. Yet as the 1990s progressed, the selection of national development policies became more homogenous throughout Latin America, and even globally, as neoliberalism gained in popularity. The pressures to reform the state sector grew stronger.

Since international financial institutions make the availability of loans dependent upon the acceptance of neoliberal development policies, governments resort to the use of a variety of methods to demonstrate that their public agendas comply with these requirements. Maneuvering at the national and subnational levels is used to address

international pressures. It has been in Latin American governments' best interests to advance the view that neoliberal reforms have been extensively and successfully applied, and that any newly formed formal institutions do not demonstrate the characteristics that led their predecessors to be discarded. External pressures are lessened in part through the (internationally-broadcast) public acceptance by national policy makers of neoliberal reforms.

Despite the increase in neoliberal rhetoric during the 1980s, neoliberal reforms tended to lag behind. During the 1990s, neoliberal reforms did deepen and become more widespread. Nonetheless, even Edwards (who frequently emphasizes change during this period) admits that as of 1995, only in

Chile and Argentina, [were] the reforms...already bearing fruit in the form of accelerated growth, rapid improvements in productivity, and higher wages. Other countries—Ecuador, Nicaragua, and Peru—however, only initiated the implementation stage in the early 1990s, while a small group, of which Brazil is the most prominent case, had barely taken the first steps on the reform path by early 1993. (Edwards 1995:9)

In the 1990s the literature documenting the decline of the Latin American state grew, and the voices of different interpretations of Latin American political economy were heard less frequently. Yet contradictions still existed between publicly pronounced national development policy goals and the actual policies subsequently being implemented in many cases (Manzetti 1994:44).

Institutionalized interactions have significant effects on development during neoliberal reforms (Grindle 1996). The plans theorized by economists came up against the realities of the institutional context of different countries (Grindle

1996).¹⁸ This institutional context includes both historical traditions (informal institutions) and the role of the state (formal institutions).

Grindle (1996) examines in detail the cases of Mexico and Kenya. She explains that, “ultimately, the problems of effective delivery of social services and physical infrastructure reflect the training, motivation, and organization of public officials in large bureaucracies...” (Grindle 1996:128). Her work provides support for the notion that the role of the state in the 1990s depends to a large extent upon its historical institutionalization and a capable technocratic elite backed by political power of reformist orientation. Thus the implementation of neoliberal reforms depends heavily on national institutional heritage.

There are many discrepancies between the predicted and actual outcomes of neoliberal policies. With the hindsight of the mid-1990s, scholars such as Burki and Edwards (1996a and 1996b), Cavarozzi (1994), Dornbusch and Edwards (1995), Frediani (1996) and Manzetti (1994) draw conclusions similar to those of Graham (1990) and Grindle (1996). For example, Cavarozzi argues that the reduction of the role of the state in Latin America is somewhat misstated:

¹⁸ Grindle explains that the 1980s and early 1990s were a time which, ...encouraged critical rethinking about appropriate functions of the state. ...Economists debated what the state ought to do in terms of definitions of public goods, market failures, and the comparative advantages of states and markets, while others considered what functions were central to the social contract between state and society. In practice, of course, theoretical debates about what the state ought to be responsible for were adjusted to the historical traditions of specific countries, the economic and political strength and composition of the private sector in each country, and the political convenience of destatization in individual countries. (Grindle 1996:128)

...the replacement of the state-centric model with an alternative matrix organized around market logic is still far from complete even in those cases where the process has advanced most decisively, as in Chile, and to a lesser extent, in Argentina and Mexico. In any event, the change should be seen as consisting of overlapping elements of decline (linked to the disorganization of the state-centric matrix), on the one hand, and of elements of creation related to the reorganization of social behavior on the basis of a different set of principles, on the other. (Cavarozzi 1994:129)

This more mixed outcome better characterizes the new political economy of Latin America than a more purely neoliberal label.

Dornbusch and Edwards (1995) similarly determine that neoliberal reforms are not showing the anticipated results. They reveal, for example, that, “Even though structural reforms appear to be a necessary condition for growth, they are not a sufficient one”(Dornbusch and Edwards, 1995:1). Dornbusch and Edwards reach this conclusion after examining evidence that in some countries, such as Bolivia, “growth has continued to be shy even years after the completion of the basic adjustment program” (Dornbusch and Edwards 1995:1). To investigate the cause of this slow growth, scholars should examine more closely the effects of both formal and informal institutions on the implementation of neoliberal reforms. One important reason why structural reforms do not always lead to their desired effects is that informal institutions play a role in hindering successful implementation. The process of reform does achieve its full potential as a result.

Ramón O. Frediani supplies a useful analysis of the comparative success of neoliberal reforms in Latin America. His study, *Planes de Estabilización y Reforma Estructural en América Latina: Una Síntesis* [Stabilization Plans and Structural Reform in Latin America: A Synthesis] (1996), ranks eight Latin American countries on their success at achieving the stabilization and structural reform objectives pursued through November

of 1995 (Frediani 1996:78).¹⁹ Included in these scores are such institutional factors as reforms of the state, privatizations, central bank independence and fiscal reforms.

Frediani's results are summarized in Table Two.

Frediani's rankings are somewhat imperfect, but they do represent a valiant effort at quantifying qualitative data for comparative purposes. The points scale (0 to 4) is fairly straightforward, although it may at times be difficult to say with certainty whether, for example, a particular reform is at an "intermediate" or "advanced" stage. Other aspects of his ranking that are more open to challenge are the thirteen chosen categories that he weights equally. Some critics might consider progress in one category to be of far greater and / or more enduring significance than change in another category (e.g., should "fiscal deficit" or "central bank independence" really be considered of equal importance to "economic growth?"). On the other hand, other scholars might appreciate his attempt to evaluate the success of reforms without overemphasizing economic growth. His use of thirteen different categories for each of eight countries provides a fairly appropriate idea of the big picture comparing the performance of reforms. Even Frediani himself warns that these rankings are simply meant to provide "an approximation of the evaluation of the problem and to permit learning a global visualization about the degree of success or failure achieved by the performance of the new paradigm [neoliberalism] in each of the 8 countries analyzed" (Frediani 1996:79).

¹⁹ The book synthesizes and brings up to date the results of a 1993 CIEDLA series on "Stabilization and Structural Reform" in each of the same eight Latin American countries (see Frediani 1996:5).

Frediani's ranking of Bolivia's success with reforms adds insight into the above comments of Dornbusch and Edwards. Frediani also describes Bolivia's growth as very Table Two: One analysis of selected Latin American countries' success with neoliberal reforms (see Frediani 1996:78).²⁰

Order	Country	Points achieved	Maximum points	Percentage of success
1 st	Chile	50	52	96%
2 nd	Argentina	38	52	73%
3 rd	Peru	32	52	58%
4 th	Bolivia	28	52	54%
5 th	Mexico	24	52	46%
6 th	Brazil	19	52	37%
7 th	Uruguay	17	52	33%
8 th	Venezuela	15	52	29%

²⁰ The point totals are from 13 different categories, each with a minimum of 0 points and a maximum of 4 points for each category. The categories are grouped into the performance of structural reforms (privatizations, state reforms, external openness and market regulation), stability and monetary-fiscal order (price stability, central bank independence, international reserves and bank reforms), performance in fiscal politics (fiscal deficit, fiscal reform, fiscal evasion and fiscal equality) and economic growth. The points scale is as follows: 0 points = the political reforms have either not begun or are in a planning stage; 1 point = actions have been initiated; 2 points = intermediate stage; 3 points = advanced stage; 4 points: the culmination of the process (see Frediani 1996:100-101). "Economic growth" is a ranking that roughly rates annual growth rates of gross domestic product, with Mexico's -7% rate receiving a score of "1" for growth, and Chile's 7% rate receiving a score of "4" for growth (using data from 1995) (see Frediani 1996:79 and 101).

poor during the 1985 to 1995 period (Frediani 1996:20-21). Even when the economic growth rate reached 4.2% (in 1995), the country's population growth of 2.5% had a neutralizing effect on the overall impact of this growth for Bolivia.²¹

A glance at the status of Bolivian reforms supports the hypothesis that the first generation of neoliberal reforms was easier than the ones left to accomplish, and that institutional reforms take longer than other types of structural reforms (Burki and Perry 1998). Frediani allows for a maximum of 4 points on each of 4 aspects of structural reforms: privatizations, state reforms, external openness and market regulation, for a possible total of 16 points. Bolivia receives a score of 7 out of 16 possible points for successful structural reform according to Frediani (1996:101). Chile, by contrast, receives a score of 15 out of 16 points (*ibid.*). Bolivia receives a high score of 3 points (on a scale of 0 to 4, where 4 represents a completed reform process) on external openness (Frediani 1996: 101). Within the subcategory of state reforms, on the other hand, Bolivia receives only 1 point, and only 2 points for market deregulation (Frediani 1996:101). This supports the hypothesis that first generation reforms (in this case, opening the economy to trade, investment and financial flows) are more likely to have occurred than second generation institutional reforms (since the other aspects of structural reforms received scores of only 1 or 2) (Frediani 1996: 101).

Frediani's scores and rankings suggest that many Latin American countries still have a long way to go before achieving the goals anticipated through neoliberal reforms.

²¹ Bolivia's growth in per capita GDP as a percentage of constant prices grew at a rate of only 0.7 percent on average from 1987-1992, 1.7 percent in 1991 and 1.3 percent in 1992 (see Sebastian 1995:7).

This appears quite significant when one considers that the reforms had been a national focus for more than a decade at the time the study was conducted. Other scholars have reached similar conclusions about the success of neoliberal reforms (e.g., Burki and Edwards 1996a; Burki and Perry 1997 and 1998; Cavarozzi 1994; Graham 1990; Savastano 1995).

Some neoliberals have begun to speculate on the potential backlash that the lack of progress of neoliberal reforms could create (e.g., Burki and Edwards 1996a; Morrow 1998). Burki and Edwards, for example, note with great concern that,

The Latin American recovery is proceeding at a slower pace than was anticipated by most analysts, ourselves included.

The slow recovery of the regional economies is troublesome for a number of economic, social and political reasons. In many countries, modest economic performance over the last few years is generating impatience and a sense of disappointment with the reform process. An increasing number of people are disillusioned and beginning to look at policy alternatives. Although this disenchantment has not been translated into an activist 'anti-reform' movement, it is slowly generating 'reform-skepticism.' What makes this particularly disturbing is that the reform-skeptics do not have a coherent plan and tend to offer an assortment of mutually inconsistent policies with an unmistakable populist flavor. (Burki and Edwards 1996a:2)

The discrepancy between the anticipated dates for successful completion of neoliberal reforms and the realities of current delays must be understood more clearly. The consequences of failing to rapidly and completely implement the remaining reforms and realize the anticipated economic goals could have dire consequences. In order to understand the source of some of these delays, closer examination of one Latin American case will provide significant insight. Perhaps the most representative case is the case of Mexico. Mexico is considered one of the strictest followers of neoliberal reforms, and yet, the success of the reforms is still lacking (Edwards 1995; Frediani 1996; Savastano 1995).

Savastano, for example, calls Mexico's growth performance "far from spectacular," and criticizes the "sluggish response of output" (Savastano 1995:51). He believes the transition ought to move more quickly in order to be considered successful. This concurs with Frediani's evaluation of Mexico's growth. Frediani calculates that Mexican growth is only in the initiation stages, in fact lagging behind the performance of all seven other countries he examines.²² Thus the case of Mexico will provide an excellent window for the examination of the impact of institutional factors on the implementation of neoliberal reforms.

Conclusion

In summary, the anticipated reductions in state institutional power by many analysts in general have apparently been (and continue to be) overly ambitious. The ensuing documentations of reductions in state institutional power are also often overstated. At the same time, the views of institutional economists, historical institutionalists and others have been smothered under the avalanche of a growing (and rather uncritical) acceptance of neoliberalism in the late 1980s and most of the 1990s.

Theoretical arguments about the role of institutional factors are muted amidst claims that development depends mainly on economic growth, with politics and public policies being of secondary importance. National processes, including the role of institutions in the implementation of neoliberal reforms, have been neglected in many recent analyses of Latin American development. Some relevant exceptions to this trend

²² Frediani ranks the other countries growth as follows on his scale from 0 to 4 (see preceding footnote): Chile: 4; Argentina and Peru: 3; Bolivia, Brazil, Uruguay and Venezuela: 2; and Mexico: 1 (Frediani 1996:101).

are appearing, as some scholars (and even the IMF) begin to discuss the need for a second generation of reforms. For example, Burki and Edwards maintain that it is imperative that the neoliberal reform process now be “broadened to new spheres, including disassembling the remains of the old populist structures...” (Burki and Edwards 1996a:4).

To delve more deeply into the effects of institutions on Latin American countries, an examination of the Mexican case will be provided. Chapter 4 consists of a historical introduction, and Chapters 5 and 6 analyze of the role of institutions during neoliberal reforms. This close-up of state institutional effects will highlight the myriad of ways in which institutions hinder, moderate and distort the neoliberal project.

CHAPTER 4

CASE BACKGROUND: THE HISTORY OF THE INSTITUTIONALIZATION OF THE MEXICAN STATE

A case study of Mexico will provide a window through which to view the impact of institutions. Although the Mexican case is somewhat singular, it will nonetheless yield insights that suggest trends in other states. This chapter will discuss relevant historical features that affect the institutional composition of modern Mexico.

How will the examination of a single case provide us with insights to formulate broader hypotheses about Latin American development or development of industrializing countries in general? Many scholars speak of the uniqueness of Mexico within Latin America. For example, its shared border with the United States has at times helped and at other times hindered its development.¹ Mexico's large size and oil reserves also differentiate it from many other Latin American countries. These unique geographical features are matched by political and social characteristics that are also somewhat distinct

¹ The U.S. is today Mexico's largest trading partner, yet relations between the two neighbors have not always been peaceful. The Mexican American War (1846-1848), fought over the U.S. annexation of Texas, ended with the Treaty of Guadalupe-Hidalgo, by which half of Mexico's national territory became what is now the southwestern U.S. Mexico's nationalization of its oil reserves in 1938 upset the U.S., and remains an issue in trade discussions between the two. On January 1, 1994, the North American Free Trade Agreement (NAFTA) went into effect, initiating a free trade area between the U.S., Mexico and Canada. (The effects of NAFTA are discussed further in Chapter 6.) For discussion of U.S.-Mexican relations see e.g., Bailey and Aguayo, eds. 1996; Ceceña 1970, Handelman 1997:143-173, Rich and de los Reyes, eds., 1997.

from other areas in Latin America, as discussed in this chapter. These distinctions strengthen the present analysis rather than interfering with generalization.

A focus on the Mexican case is useful precisely because the formal and informal institutions of the state have a long history of stability. Unlike other Latin American cases, Mexico has a political regime that has endured for 70 years without suffering a coup d'état or even a change in the status of the ruling party. It thus provides an excellent window for examining the role of institutions during a variety of economic phases, including periods of rapid economic change or crisis. Other cases in Latin America also provide evidence of the types of institutional effects revealed in this case, albeit often on a lesser scale. By studying the influence of institutions in Mexico, we uncover likely effects institutions elsewhere might be having. The aim is to demonstrate the effects institutions *may* have, in order to animate other scholars and policy makers to take their potential impacts seriously when considering development issues.

To examine state institutional power in Mexico, one must first be familiar with the character of the Mexican state. The brief background that follows provides a sketch of important historical factors relevant to this institutional study. Like many institutions in Latin America, institutions of the Mexican state are the result of centuries of influence, invasion and repression by the Spanish; association, assimilation and cohabitation between races; and revolution and cohabitation among peasant, worker and elite classes. The historical antecedents of modern institutions are sometimes apparent and sometimes more obscure.

The 20th century began with a revolution against the dictatorship of Porfirio Díaz, who reigned from 1876 to 1910. The *porfiriato* (as this period of authoritarian rule is

called) was characterized by limited political unrest and a greatly reduced foreign debt, but also by extremely high infant mortality and low life expectancies (Cumberland 1968:190-191). Railroads and mining expanded, but illiteracy was at about 90 percent (Handelman 1997:11). Fraudulent land surveying practices created huge haciendas for a small wealthy minority while impoverished *campesinos* made no progress in the acquisition of lands, and even lost control over the lands they did cultivate (Cumberland 1968:201). By 1900, 97% of the fertile land in Mexico was held by 1% of the population; meanwhile 82% of the rural population was landless (Warnock 1995:22). Foreign investment soared, as economic policies favored external actors, especially Americans, over Mexican citizens. By 1910, two-thirds of Mexico's investment came from abroad (Hellman 1978:2). The Revolution began as a result of discontent by a wide array of actors in this social milieu.

The discussion of the historical influences that follows is limited to post-Revolutionary phenomena, since the most significant effects visible today are the result of changes since the Mexican Revolution.² Many formal and informal institutions of the Mexican state were shaped by events that occurred in the aftermath of the Revolution. By understanding the historical significance of their foundations, it is easier to make sense of institutional continuities that shape the present and the future in Mexico.

² Frank Tannenbaum explains that "The government, the constitutional system, the army, the courts, the landholding system, peonage, and many things besides were swept away by the revolutionary tide" (Tannenbaum 1964:vii). Given this vast social and political change, the institutional heritage surviving this upheaval was limited, and the remnants of influence retained have since been withered by time, reform and efforts at modernization. Although this heritage is not entirely irrelevant to the present discussion, further examination of these phenomena are most appropriately reserved for another study.

The Institutional Heritage of the Mexican Revolution

Volumes have been written about the causes and consequences of the Mexican Revolution.³ Scholarship on the Revolution may be grouped into orthodox and revisionist literatures. Orthodox works common until the 1970s and 1980s describe the Revolution as a successful social uprising that benefited the peasantry.⁴ Revisionist scholars, on the other hand, describe the Revolution as a power struggle among elites that did little to alter the fate of the masses.⁵ Joseph and Nugent (1994a) suggest a postrevisionist synthesis of orthodox and revisionist approaches. A postrevisionist approach attempts to mesh top-down analysis with bottom-up analysis to better portray the complexity of interactions between elites, popular groups and institutions. This type of analysis provides a more balanced summary of the Revolution than either orthodox or revisionist scholarship.

The Revolution was fought by citizens with differing motives and varied aspirations for the future of the state. Citizens' grievances included disdain for policies privileging foreigners, unhappiness with electoral fraud and unlimited presidential reelections and disputes over economic policies that impoverished huge sectors of peasants and workers. The variety of revolutionary groups, the history of the Revolution

³ See, e.g., Gilly 1983; Hart 1987; Knight 1986; Womack 1969. For summaries, see Roderic Ai Camp 1993, Chapter 2: "Political-Historical Roots: The Impact of Time and Place." For a more detailed examination, see Brandenburg 1964, Chapter 3, "Fifty Years of Revolution (1)."

⁴ See, e.g., Brenner 1971[1943], Tannenbaum 1966 [1933].

⁵ Purnell (1999) makes this point. Examples of revisionist scholarship are works by Ruiz (1980) and Womack (1991).

and the formation of post-revolutionary regimes provide insights into the shape of the modern governing regime and the forces that sway it.

Francisco I. Madero called the nation to armed rebellion against Díaz, founded the Anti-Reelectionist Party and advocated electoral reforms and public education (Camp 1993:38). He was responsible for the revolutionary 1910 Plan of San Luis Potosí⁶ and ousted Díaz in 1911. Madero ruled until his assassination 1913, when a coup d'état by Victoriano Huerta removed him with the support of *porfiristas*. President Huerta's authoritarian tactics were not readily tolerated, however, and shortly after gaining power, Revolutionary forces again gained momentum in different areas of the country. These groups were led by Venustiano Carranza, Alvaro Obregón, Plutarco Elías Calles, Francisco "Pancho" Villa, Emiliano Zapata and Pascual Orozco. The four years that followed were the most violent years of the Revolution.

Class-based needs and geographical variability characterized the demands of different Revolutionary groups. For example, the Zapatistas in the south placed greatest emphasis on the demand for land. The followers of Villa in the north sought regular employment. But neither Zapata nor Villa could unite the country; instead such leadership was gained in 1914/15 by Carranza and Obregón (Brandenburg 1964: 53). The Carranza-Obregon combination promised a real social and political transformation (Brandenburg 1964:53).

⁶ The 1910 Plan of San Luis Potosí "advocated three important political items: no reelection; electoral reform (effective suffrage); and revision of the Constitution of 1857 (Camp 1993:38).

Popular consensus was limited and political succession during the next decade was marked by strife, exile and assassinations as a result of class and regional disputes. Nonetheless, several generalizations may be made about the impact of the Revolution on national political opinions. One important informal institution that grew out of the Revolution is a theme of “Mexicanism” or “Mexicanization” (see, respectively, Brandenburg 1964:68 and Camp 1993:39). Roderic Ai Camp explains that Mexicanization is a broad form of nationalism, encompassing economic nationalism, pride in Mexican national and cultural heritage, as well as attention to indigenous heritage (Camp 1993:39-40). Mexicanism was also termed “revolutionary nationalism” (Middlebrook 1995:302). Revolutionary ideology was evident in Revolution-oriented educational institutions, the art of the famous muralists Rivera, Siqueiros and Orozco, and in music, architecture and literature (Brandenburg 1964:68).

Revolutionary ideals took shape in the early 20th century. Some ideals gained official status, with their heritage readily observed in formal Mexican institutions throughout the post-Revolutionary period. Others remained more elusive, and are described by one scholar as revolutionary myths (Erfani 1995). For example, Erfani argues that the idea of a strong state was merely a myth created by a misinterpretation of state sovereignty as state power, when in fact “the executive branch of government in Mexico was culturally and legally obligated, but not actually equipped, to control the economy in order to protect popular groups’ socioeconomic interests” (Erfani 1995:58). Belief in the power of the state was thus an informally institutionalized ideal. The list of formally and informally institutionalized ideals includes such general concepts as social justice, the acceptance of a strong state, the breakup of large landholdings, acceptance of

labor organization and support for social security as well as the Constitution (Camp 1993:40-42). Throughout the 20th century various Revolutionary ideals remained informal institutions without formal manifestations, while other ideals became formally institutionalized without having the effects anticipated and fought for during the Revolution. As will be demonstrated in the two chapters that follow, the institutionalization of these Revolutionary ideals is a heritage that remains influential even at the turn of the 21st century.

Many Revolutionary ideals were formally institutionalized in the Mexican Constitution of 1917. For example, the ideal of social justice took the form of constitutional articles dedicated to support public education, the breakup of large landholdings and labor rights. Article 3 required free, secular and obligatory public education to be available to all Mexicans, and Article 27 aimed to address the problems of landless peasants (Erfani 1995:27). Encompassed under Article 27 was legal support for the *ejido*, a form of communally held land. *Ejidal* lands had begun to be distributed as early as 1915 to groups of land claimants (Randall 1996:328). Constitutional agrarian-reform measures provided for a host of land issues, including:

...restitution of lands to peasants illegally dispossessed, for rotation of lands to those without them but who required land in order to subsist, for recognition of existing small private farms and encouragement of the creation of more, for the creation of new agricultural centers in order to bring about widespread distribution of the rural population, for the limitation of the size of rural property holdings to avoid land concentration, and, in general, for the forced breakup of the hacienda system. The Constitution thus made unequivocally clear that the semicollective *ejido* and small private farm were to exist side by side. ...[T]he dreaded hacienda system was doomed for what it had done to the Mexican soul and soil—for its power concentration and marginal productivity. (Brandenburg 1964:55-56)

The connection between Revolutionary goals and Article 27 of the Constitution is frequently articulated. Article 27 was “the institutional response to the demands of ‘Tierra y Libertad’ (Land and Liberty) shouted on the battlefields by peasant insurgents during the Mexican Revolution” (DeWalt and Rees 1994:1). The ejido thus embodied the ideals of the Revolution in a way that touched the lives of many of the poorest citizens of Mexico. The impact of the institution of the ejido on agrarian life and rural development throughout the post-Revolutionary period will be examined in detail in Chapter 6.

The third aspect of social justice described above, labor rights, was also formally institutionalized in Section 6 of Article 123 (Brachet-Marquez 1994:56). However, Article 123 merely gave legal status to the conquests achieved through the struggles that had taken place over the years among workers, the state, and capitalists (Brachet-Marquez 1994: 57). In fact, the Constitution laid foundations that eventually restricted the ability of labor to achieve further advances (Brachet-Marquez 1994:57).

In sum, the Revolutionary ideals of Mexicanism and social justice had both informal and formal institutional manifestations, as introduced briefly above. The impact of these formal and informal Revolutionary institutions on the implementation of neoliberal reforms in Mexico is discussed in chapters 5 and 6. Also important to the analysis in the next two chapters is an understanding of the relationship between the *Partido Revolucionario Institucional* (Party of the Institutionalized Revolution or PRI) and the state, an understanding of the linkages between historical Mexican corporatism,⁷

⁷ Corporatism is a form of sociopolitical organization. Nikki Craske explains that, “The principle characteristic of corporatism is the vertical, hierarchical and ‘functionally differentiated organisations’ which separates potential allies” (Craske 1996:80).

clientelism and corruption, and information about the *sexenio* (the six-year term for presidential office). This essential background is summarized below.

The Relationship Between the PRI and the State

Throughout much of the 20th century, the Mexican political system has been characterized by PRI-state fusion and statism.⁸ The dominance of the “official party” in Mexican politics dates back to 1929, although it has been renamed twice since its inception. President Plutarco Elías Calles created the *Partido Nacional Revolucionario* (the National Revolutionary Party or PNR) in 1929. In March 1938, populist President Lázaro Cárdenas renamed it the *Partido de la Revolución Mexicana* (Mexican Revolutionary Party or PRM). President Cárdenas did more than any other post-Revolutionary president to fulfill many Revolutionary demands, especially through agrarian reform.

With the changes instituted by Cárdenas, corporatist organization was solidified under the ruling party:

The old geographical and individual membership structure of the PNR gave way to an organization of four sectors—labor, agrarian, military, and popular. The first sector was turned over to trade unionists, the second to the *ejidatarios*, the third to the soldiers, and the fourth to civil servants and miscellaneous elements. These four sectors collectively decided which among them should be allotted specific public offices to fill, then turned over the actual nominating process to the designated sector. Once this sector announced its nomination, all four sectors were pledged to support the candidate at the polls (Brandenburg 1964:91).

Other than the military sector, which was dissolved in 1940, the corporatist organization that was formalized under Cárdenas has a long heritage. In 1946 Miguel Alemán

⁸ In statism, the state plays a dominant role in the political economy of a country.

redesigned the party, and its name was changed to the *Partido Revolucionario Institucional* (PRI). The party's theme was changed from the PRM's "For a Democracy of Workers" to the PRI's "Democracy and Social Justice" (Brandenburg 1964:101). The institutionalization of the PRI and its relationships with the three key sectors (labor, *campesinos* and the "popular sector" of civil servants and others) has had an extremely influential effect on Mexican political life for more than five decades, as will be discussed further in the section on corporatism.

PRI-state fusion makes pinpointing the locus of power difficult. For example, scholars such as Camp (1993) suggest that the state, rather than the party, is the more powerful of the two.⁹ Yet other analysts argue that the party holds the power. Topik (1993) for example, remarks that the PRI's power has long been considered exceptional when compared with other parties internationally. He comments that in 1992/93:

...the PRI still seems to be the most secure political party in Latin America. Indeed...the PRI is the longest standing hegemonic party in the world. This comes as a puzzle after reading these articles which all dwell on the party's lack of 'modernity,' lack of 'institutionalization,' 'declining legitimacy,' and 'authoritarianism.' Clearly, Mexico's political leaders have been doing something right. It would be worthwhile studying them. We need to know...why these political regimes persisted so long in the face of so many apparent obstacles. (Topik 1993:287)

⁹ Camp argues:

...[T]he Party leadership is selected by the president, thus placing the Party under the thumb of the executive branch. The Party relies on the executive branch for financial support; generally, the Secretariat of Government allocates the funds. The support is difficult to measure because it involves more than money. The government, through its contacts, provides many other resources, such as lodging, transportation, and meals for those doing Party business. (Camp 1993:142)

Since the PRI's hegemony has declined in recent years, few scholars would still describe its role as powerfully as suggested by Topik. Nonetheless, this description provides insight into the historical significance of the PRI over many decades. The fall of the PRI has been forecasted by various observers over the course of many decades, yet through the use of corporatist and clientelist¹⁰ ties (as well as varying degrees of electoral fraud), it has managed to hold on to power.

The traditional success of the PRI is due in large part to its network of corporatist and clientelist resources (Klesner 1996). The formal and informal institutionalization of these relations created vertical linkages between many different layers and classes of society. Rural-urban links were formed as well as personal ties that were handed down over several generations. PRI / state linkages unified control over the national development "project," and restrained the private sector by monopolizing subsidies, issuing public contracts and licenses and controlling labor unions (Fernández Jilberto and Hogenboom 1996:148; Grindle 1996:49).

During the period of Import Substitution Industrialization (ISI) the state protected Mexican businesses from foreign competition. ISI began in Mexico in the 1930s and did not end until the mid- to late-1980s (Lustig 1998). The PRI / state's control over labor facilitated capital accumulation and increased business investment (Handelman 1997:118). Although links between different business groups and the state vary in strength, historical ties to business have been fortified since the administration of former President Salinas de

¹⁰ Patron-clientelism, often called simply "clientelism" is a system of "clientelist" interactions between elites (patrons) who disperse benefits to certain individuals (clients) in exchange for political support.

Gortari. The symbiotic relationship between the PRI and top business elites was brought to light when news leaked of a private dinner Salinas held on February 23, 1993 to request contributions of 25 million dollars from each of a handful of top businessmen (Handelman 1997:103-104).

The special relationship between the PRI and the state, as well as the corruption and corporatism that accompanies it, helps to maintain political stability in Mexico (Knight 1996). The PRI has used its position to manipulate its future electoral success while gradually slipping further and further from the meeting the goals once held by its original supporting sectors:

...the socioeconomic promises of the Constitution were, partially and belatedly, fulfilled, while its liberal democratic provisions languished, and would continue to languish, down to the present. For, even as they rolled back his more radical policies, favouring capital over labour and marginalising--recently abolishing--the ejido, Cárdenas's successors doggedly maintained the dominant party, the *partido del estado*. [Knight references Garrido (1982) pp.461-2.] The latter, now sporting an oxymoronic 'revolutionary-institutional' label (PRI), has for over sixty years monopolised national power, controlled a huge network of patronage, and kept up an incestuous relationship with the state which underpins Mexico's remarkable political stability. (Knight 1996: 225, italics added)

The imminent downfall of the Mexican political system is questionable. As Knight argued in the mid-1990s, the PRI will one day be defeated, but

...that day has been repeatedly heralded in the past and in each case it has proved a false dawn. The cement of corruption, suitably repointed every now and then, has held the whole edifice together remarkably effectively. (Knight 1996:231)

The corrupt PRI/ state has historically engendered political stability (Knight 1996; Morris 1991; Topik 1993). At the turn of the millenium, the power of the PRI is at a new low, and even the regime itself now claims only 42 percent of the national vote (Dillon 1999b).

Yet as the New York Times reports, the potential for the PRI to win the 2000 presidential election depends once again largely upon internal political strategies of the PRI, rather than challenges from outside the party:

Polls suggest that the party can win the presidential election next year, too, but only if the party can avoid a damaging split. As a result, the way the party selects its candidate is crucial, because powerful politicians seeking the nomination could bolt the party if they feel mistreated, several analysts said. (Dillon 1999b)

In recent years the PRI has made efforts to democratize candidate selection and reduce electoral fraud, as discussed below in the section on the *sexenio*. These reforms may also be viewed as part of any party's ongoing strategy to appeal to the electorate. Meanwhile, allegations of electoral fraud continue, especially at the local level. The PRI /state has a long history of finding ways to maintain its political capacity, and current events seem to bolster this image.

Analysts are divided over whether to consider Mexico a strong or a weak state (e.g., Collier 1992, Erfani 1995). A strong state has the capacity to virtually ignore societal interests when choosing and implementing policies, whereas a weak state must pay greater heed to societal demands (Collier 1992:126). In considering the relative strength of the state, the interplay between political and economic liberalization is highlighted.

In this study, the PRI/state is generally considered more of a strong state than a weak state; nonetheless, it has "relative strengths and vulnerabilities in its relations to different social sectors" (Collier 1992:126). Traditionally, the Mexican state has enjoyed a strong position vis-à-vis labor, but more recently, it faces a weaker position vis-à-vis the private sector. As the private sector gains prominence and economic significance through

neoliberal reforms, the state's weak position relative to the private sector results in a weaker overall position of the state. This weakening may then alter the balance of power between the state and labor or the agrarian sector as well. In turn, this effect may cause labor and agrarian sectors to reassert their demands, forcing political changes that grant benefits to these traditional sectors. This circle of effects thus contributes to the maintenance of the status quo.

The party and the state have distinct strengths and benefit from the ability to alter and trade their roles over time (Fernández Jilberto and Hogenboom 1996). At times the PRI supports specific interests, while transferring responsibilities to the state:

The highly centralizing capacity of the state that is expressed by the concentration of public power, has given sufficient capacity to both the state bureaucracy and the PRI, together with the business elite, to define the national economic policy. This has happened without counterweight and in the absence of a pluralist political arena...The role of the PRI has none the less varied historically. Sometimes, the PRI forms the synthesis of contradictory interests negotiated within the party that, at such moments, takes the shape of a restricted political arena. At other times, the PRI transfers the crucial role of the formulation of the national project to the state and the political class of the state. (Fernández Jilberto and Hogenboom 1996:149)

An understanding of this relationship between the PRI and the state in Mexico is important to the present study of the influence of institutions on neoliberal development policies. Related to this PRI/state relationship is corporatist sociopolitical organization.

Mexican Corporatism, Clientelism and Corruption

The Mexican corporatist system has historically been marred by corruption and the use of clientelistic ties. These features of Mexican corporatism make it impossible to analyze the sociopolitical organization without reference to the effects they have on the

system. The following discussion will reveal how the three are embroiled, resulting in a sociopolitical organization that is both formally and informally institutionalized. It will highlight the differences between a generally sociological determinist approach used by Howard Wiarda (1973, 1981) an agent-centered approach such as that used by Philippe Schmitter (1974), and a historical institutionalist approach taken by Alfred Stepan (1978). The perspective adopted here is similar to that of Stepan, yet Wiarda provides background crucial to this (and any) discussion of Latin American corporatism. If one chooses an institutional level of analysis, the contributions of both Stepan and Wiarda are especially useful.

Wiarda defines corporate entities as “groups of people bound together by similar functions, interests, occupations, locations, etc.” (Wiarda 1981:34-35). Modern Mexican corporatism is a type of sociopolitical organization in which corporate entities are linked vertically in the shape of a pyramid or inverted cone, with the central state apparatus at the top (Wiarda 1981:34-35, 231). Corporatism throughout most of the 20th century in Mexico has involved the incorporation of significant societal groups into the political system headed by the PRI / state. But corporatist roots lie even deeper; there are two different traditions of corporatism: the “...formal-institutional corporative systems of the 1920s and 1930s and the sociocultural tradition of corporatism which has a far longer history...” (Wiarda 1981:118). Both of these traditions are relevant to the present study of Latin American development, but the “formal-institutional corporative systems of the 1920s and 1930s” denominates for Mexico specifically the corporatist system headed by the ruling party / state.

An understanding of corporatism is essential to an observation of Latin America during periods of modernization (Wiarda 1981). Corporatist institutions have been and remain influential to Latin American development:

A study of corporatism is crucial if we are to understand the responses to modernization of the Iberic-Latin nations. Corporatism and the corporatist tradition are not just ideas and institutional forms of passing interest, reaching their heyday in the interwar period and then disappearing, but instead constitute an on-going tradition strongly intertwined with the history and culture of the area, and continuing today to influence political behavior and the structure of society and polity in a great variety of systems, both traditional and modernizing, both left and right. (Wiarda 1981:133)

Much evidence from the 1990s suggests that Wiarda's claims remain relevant at the turn of the 21st century. During the 1970s, as today, it was popular to dismiss corporatism.¹¹ With the hindsight of the 1980s and 1990s, the claim that corporatism was already almost irrelevant in the 1970s seems now to have been overstated. As with the longevity of the PRI, corporatist institutions continue to demonstrate remarkable endurance despite claims that they are losing relevance.

Other scholars dismiss the relevance of corporatist forms of organization by arguing that it is merely a type of organization chosen by political elites. For example,

¹¹ Wiarda noted the dismissal of corporatism during the 1970s:

Corporatism, until...[the late 1970s], had been widely dismissed as both anachronistic and irrelevant. Defeated in World War II and apparently discredited..., corporatism as an ideology and form of sociopolitical organization seemed, for a time, to have been erased and forgotten...a philosophy and form of national organization whose historical epoch had been superseded...

Such judgments as regards corporatism's alleged passing and irrelevance are premature and ill-founded. Corporatist ideology and sociopolitical structure...manifest continued strength throughout the Iberic-Latin

Philippe Schmitter (1974) argues against the explanatory power of a (corporatist) political culture approach and in favor of an agent-centered approach. Yet as Stepan points out, Schmitter's arguments are weakened by his dismissal of the role of political culture and historical continuity (Stepan 1978:54). Stepan argues that,

Schmitter explicitly rejects the utility of a political culture approach to the emergence and consolidation of corporatist regimes...[H]is rejection of any historically based explanation leads him to what are somewhat strained positions....[W]hile he correctly places an emphasis on the role of corporatist practices in structuring patterns of interest representation, he also documents that by and large a wide variety of *elites accept this pattern* as concurrent with the political culture into which they were initially socialized and which they operationally acquire. (Stepan 1978:53-54, fn.19, emphasis added)

From a historical-institutionalist perspective, the acceptance by elites of preexisting patterns of interest representation is evidence of the explanatory power of institutions. Schmitter's position cannot explain the persistence of a variety of similar corporatist forms over a period of centuries. Stepan's discussion, on the other hand, highlights the benefits of integrating the insights of structural and agent-centered approaches. His position represents a middle ground between Schmitter and Wiarda. Wiarda's view of corporatism is an extreme which has been labeled "corporatism as cultural continuity" (Stepan 1978:54). Stepan reveals that, "... 'corporatism as structure' is always only a *partial* sectoral phenomenon of the overall political system, and... supplementary analytical frameworks must be used to study other aspects of the system" (Stepan 1978:71). Although there are some benefits in the view of corporatism as "elite response to crisis,"

culture...not just in the traditional regimes but in various modernizing ones as well. (Wiarda 1981:117)

the structural features of corporatist forms should not be entirely dismissed (Stepan 1978:55).

When existing corporatist arrangements fail to fully incorporate all major sectors, neo-corporatist forms emerge (Stepan 1978). For this reason, explanations based solely on cultural continuity lose instructive power:

Explanations based on continuity are relatively weak where the phenomenon to be explained is not so much continuity but the emergence of stronger and novel forms of corporatism after a period of relative abeyance. The simple fact is that neo-corporatist institutions are more prominent in the Latin America of the 1970s than they were in the 1950s... (Stepan 1978:54)

From a historical institutionalist perspective, both Wiarda and Stepan make important points. A heritage of corporatism is part of the context in which state elites find themselves. At times these elites have more potential for autonomous power such as, for example, the late 1910s through 1930s in Mexico. The significance of elite roles varies historically, and although the behavior of individuals is *sometimes* most significant, the changes they elicit occur within a broader context of institutional continuities.

This is a good way of looking at the relationship between elites and cultural/institutional context. The reason elites were *able* to solidify corporatist relations in the post-Revolutionary decades is because of the prior history of corporatist relations. One can combine the theoretical insights of both Wiarda and Stepan to achieve a historical institutionalist perspective that leaves space for the role of individuals, yet can explain continuities even if formal institutional ties are weak. Thus evidence of the rise of neocorporatist links does not detract from a discussion of the continuities of corporatist institutions. Instead, it reveals how the informally institutionalized heritage of relying on

corporatist forms of governance creates a space for the newest variant of corporatism, namely, neocorporatism.

Since neoliberal reforms of the 1980s and 1990s intend to dismantle the remaining “non-democratic” (when compared to a liberal ideal), economically “inefficient” corporatist forms of social interaction, these decades (and the ones to follow) are well-suited to an examination of whether such changes actually occur. Corporatism runs counter to neoliberalism because it is nationalist.¹² Nationalist corporatist sociopolitical organization is supported by the informal institutional support for Mexicanism (dating from the Revolution) described earlier in this chapter. Corporatism is also linked to ISI policies. Since both corporatism and ISI policies shared a common nationalism, the former became subject to the same judgments of the latter. As discussed in Chapter 3, ISI represented an economic development strategy that was widely considered a failure by the early 1980s, and corporatism was the sociopolitical organization that was supposed to have helped ensure its viability.

Between 1970 and 1981, government expenditure had climbed from 20 percent of Mexican Gross Domestic Product (GDP) to 35 percent (Wyman 1983:4). The budget deficit grew from an average of 2.5 percent of GDP in 1965-72, to an average of 8

¹² Wiarda describes the links between corporatist ideology and nationalism: Corporatist ideology was nationalist in two ways. It implied a rejection of the foreign influences...implanted in Latin America contrary to its own cultural traditions, a repudiation of moral, political, and economic dependency. It meant also a search for what was viable in Iberia's and Latin America's own traditions on which a new nationalist sociopolitical structure could be based.... [Latin Americans were] seeking to discover in their own histories an indigenous framework for national development.

percent in 1973-1976, and reached 14.1 percent in 1981 (Lustig 1998:18,22). Foreign debt ballooned, the importation of consumer goods rose and inflation accelerated from 28.7 percent in 1981 to 98.8 percent in 1982 (Lustig 1998:40). In the 1981/ 82 debt crisis, capital flight was continuous, and Mexico at first attempted to sustain the value of the peso through short-term external borrowing (Lustig 1998:24). In August 1982, Mexico suspended payments on its debt, an event that marked the end of an era of easy borrowing for developing countries (Lustig 1998:25).¹³ The “lost decade” of development of the 1980s had begun for Latin America.

As economic strategies were reconsidered during the 1980s, corporatist strategies gained new critics both nationally and internationally. Nationalist economic and political development strategies are considered inappropriate in the neoliberal late 20th century. Neoliberal reforms aim to dismantle both the nationalist economic policies (i.e., ISI) and the nationalist political policies (i.e., a corporatist rather than liberal basis for a country’s sociopolitical organization) of earlier decades.

What comprises this “inappropriate” sociopolitical organization in Mexico? At the top of the pyramid is the PRI / state. Mexican corporatism is not an “ideal type” of corporatism, because “not all organised groups in society are affiliated to the PRI” (Craske 1996:80). Instead, three main groups have historically been incorporated (labor, peasant and popular). As introduced above, their incorporation into the government was

Repudiating the extremes of liberal individualism, the corporatists sought to reconstruct state and society on an organic basis. (Wiarda 1981:129)

¹³ For an excellent study of the Mexican economy from the precursors to the debt crisis through the late 1990s, see Lustig (1998).

not fully institutionalized until the late 1930s. At this time, labor, peasant and popular groups gained stronger organizational means of ordering their interactions with the government. The corporatist political system set in place in the first decades after the Revolution did have a distinctly inclusionary character when compared to many other Latin American cases (Knight 1996; Stepan 1978). This encouraged certain forms of corruption that fostered governmental stability and legitimacy, as is discussed below (Knight 1996:224).

The traditionally incorporated groups remain important in Mexican politics.¹⁴ They are represented by the long-standing *Confederación de Trabajadores Mexicanos* (the CTM or Confederation of Mexican Workers), the *Confederación Nacional Campesina* (the CNC or National Peasant Confederation) and the (often renamed) *Federación Nacional de Organizaciones y Ciudadanos* (the FNOC or National Federation of Organizations and Citizens), whose membership is drawn from the so-called popular sectors (Craske 1996:80, 86). The “popular” sector is composed of middle classes, small business owners, government employees and professionals (McCormick 1995:263). The traditional incorporation of these three groups has been broadened to include similar groups that represent similar interests (Otero 1996a:13).¹⁵ These

¹⁴ Ruth Collier argues that government policy since 1985 has sought to change the party’s coalition and social base, and to disarticulate the coalition with labor (Collier 1992:158). Middlebrook (1995), on the other hand, reveals that the governing elite had strong reasons to preserve its alliance with labor despite the weakening of labor during the 1980s. The positions of these and other scholars on the incorporation of labor are discussed in Chapter 5. The relative significance of the peasant sector will be debated in Chapter 6.

¹⁵ Otero explains that,

incorporated groups enjoy access to privileges that nonincorporated groups cannot attain. In exchange, they are expected to demonstrate loyalty to the PRI, especially during elections. This system has worked to the advantage of the PRI and elites by encouraging group leaders to respond more to the needs of the regime than to the needs of their groups (Grindle 1996:49). Business elites lobby the regime as well, and are able to influence policy (*ibid.*). Under the corporatist system, access to benefits is dependent upon political considerations, and economic growth facilitates the system (Grindle 1996:49).

For these reasons, corporatism has been criticized as anti-democratic and biased in favor of upper class groups. On the other hand, some analysts suggest that the corporatist system has actually served to ease class tensions.¹⁶ Regardless, the possible benefits of such stability should be weighed against the means used to achieve it.

The corruption of corporatist and clientelist systems is complex and interwoven. Political corruption in 20th century Mexico takes several different forms. The first, known as speculation or “government at the service of graft,” is risky in the long-term; the other, “graft at the service of government,” seems to work better in the long-term, and involves both “the carrot and the stick” as methods (Knight 1996:226-227). There are functional differences between the two variants:

There are other organizations in the labor movement that belong to the PRI, even though not to the CTM, such as CROC (Revolutionary Confederation of Workers and Peasants) and CROM (Regional Confederation of Mexican Workers). Similarly, other peasant organizations loyal to the PRI include CAM (Mexican Agrarianist Council) and CCI (Independent Peasant Council). (Otero 1996a:13)

¹⁶ Teichman argues that, “Although operating at all levels of the social and political systems, corporatism and patron clientelism have been particularly important in mitigating dissent from the popular classes” (Teichman 1996:150).

Peculation involves government officials creaming off spoils. This may be 'systemic' to the extent that the spoils system is used to reward members of the political elite..., thus ensuring loyalty and averting rebellion. Such a system could be denoted 'modern patrimonialism'. As a short term solution...the system may prove functional.... In extreme forms, such peculation can reach 'sultanistic' proportions, thus incurring popular resentment and political illegitimacy. At best, therefore, 'government at the service of graft' is a risky, short-term political expedient.

In contrast, ...--graft at the service of government-- is more systemic and system-maintaining. It involves the use of corruption to perpetuate the entire political order...its practices collective rather than individual... However, it assumes two contrasting forms, which may be termed 'coercive' and 'allocative', or, more colloquially, 'the stick and the carrot'... (Knight 1996:227)

Thus the difference between the two types of corruption lies in whether (1) rewards are only available to a very limited elite and are key to maintaining their loyalty, or whether (2) for example, bribery is expected by all who interact within the system and loyalty is assumed because using the system is the only existing way to achieve one's needs. The latter type, which is more common in Mexico than in other corrupt Latin American states, is more stable, perhaps even more "democratic" (Knight 1996:227). "Graft at the service of government" is an institutionalized norm in Mexico, evident in both formal and informal interactions (Knight 1996). This type of corruption persists despite democratic reform efforts (Morris 1991).

The so-called "carrot and stick" supports the Mexican corporatist system. It is often difficult to distinguish where acceptable, legal interactions leave off and corrupt, illegal interactions take over. Thus government patronage is at times legal, at times only formally legal, and at other times flatly illegal. The *expectation* of continued patronage is an institutionalized norm in Mexico throughout the 20th century. This norm interferes with the implementation of neoliberal reforms in Mexico, as will be examined in Chapters 5 and

6. One list of specific examples of government patronage includes programs initiated in the 1920s as well as others functioning during the neoliberal 1990s:

agrarianism and labour reform in the 1920s and 1930s; a spate of Federal programmes during the long economic boom of the 1950s and 1960s; oil funded public works in the late 1970s; the ambitious 'Solidarity Programme' (PRONASOL) of the 1990s. (Knight 1996:229-230)

The use of PRONASOL as an example of a corporatist and perhaps corrupt institution is especially significant. PRONASOL was a highly publicized national anti-poverty program that was touted as an innovative, transparent means to overcome the clientelistic features of disbursement of traditional social programs. Its inclusion into this list highlights the ways historical clientelist and corporatist interactions affect contemporary political interactions in the "reformed," "non- or neo-corporatist" 1990s. The political manipulation of PRONASOL is discussed in Chapter 6.

Corruption and corporatism remain embedded in the nature of even the present Mexican political system. In this system of corrupt rewards, patron-client ties continue to bolster the position of the PRI, adding to its remarkable longevity (Knight 1996:230). The Mexican political system is a complex web of formal and informal interactions institutionalized over many decades and renewed with each *sexenio*.¹⁷ Institutionalized patronage is significant even at the turn of the 21st century in Mexico. Clientelist relationships are institutionalized, and the PRI/state has institutionalized both carrot and stick forms of corruption. Mexican sociopolitical organization is an intricate mix of corporatist arrangements supported by corrupt interactions carried out along patron-

¹⁷ Knight describes it as "...a sophisticated system of patronage and repression, *pan o palo*, coercive and allocative corruption, now run by a third generation of political leaders, steeped in its compelling, idiosyncratic and largely unwritten rules" (Knight 1996:231).

clientelist ties. Another institution that characterizes the Mexican political system is the *sexenio*.

The Sexenio

The Mexican political system is heavily influenced by the cycle of presidential elections. Since 1917 there has been no presidential reelection. Instead, the office may only be held for a single, six-year term, the *sexenio*. Article 83 of the Constitution mandates that the Presidential term of office begins on December 1st and stipulates that under no circumstances can a person be President during two separate sexenios (Article 83, Mexican Constitution¹⁸).

There are both benefits and disadvantages inherent in a six-year term. For example, the term is long enough to accomplish slightly more long term goals, yet if the elected candidate governs poorly, he / she has time to do more damage than if the term were shorter. The ruling PRI has learned to use the *sexenio* to its advantage by pursuing different strategies at different stages of the presidential cycle.

To perpetuate the reelection of PRI candidates, the PRI has characteristically concealed national economic problems that surface near the end of a *sexenio*. This serves to bolster the impression of adequate leadership by the ruling party. At around the same time, usually the fourth year of a *sexenio*, the membership of the president's cabinet (from which the incumbent will be selected) is finalized (McCormick 1995:252). The president and cabinet members each have vertical networks of *camarillas* or "cliques of politicians"

¹⁸ *Constitución Política de los Estados Unidos Mexicanos, Trigésima Quinta Edición*, 1967, Editorial Porrúa, S. A., México, D. F. Originally published by the Pan American Union, General Secretariat, Organization of American States, Washington, D.C., 1968.

ranging in size from 30 to 150 members (McCormick 1995:251). Camarillas are bound together by personal loyalty to their leader rather than by ideology (Cornelius 1996:41). This is another example of patron-client ties in action. This personalistic system serves to perpetuate the rule of the PRI by creating opportunities for career politicians to advance based on their contacts with other PRI politicians. The camarilla is used strategically throughout the *sexenio*. At the end of each *sexenio*, members of the president's camarilla are expected to support the image of the PRI and obscure inadequacies of government.

By the time the new candidate is elected, reforms are overdue; in fact, they are usually long overdue. At this point, the incumbent distances himself from the mistakes of his predecessor. He reorganizes the government, gives members of his camarilla powerful positions in the new government and changes official policies. During the early years of each *sexenio*, an anticorruption campaign takes place that serves many functions:

...[I]t helps the incoming administration disassociate itself from the previous administration; it diverts attention from certain new issues and problems; it attempts to boost the legitimacy of the new government among the popular sectors; it allows a means of purging political enemies; and it foments a centralized, presidential control over a virtually new crop of bureaucratic officials. (Morris 1991:85)

To distinguish the ebb and flow of the anticorruption campaign during the *sexenio*, Morris uses data on the number of corruption-related news stories between 1970 and 1984 (Morris 1991:83-101). He reveals three key aspects of the anticorruption campaign:

First, the anticorruption campaign includes three essential components: rhetoric and mobilization, the prosecution of public officials, and structural and legal reforms. Second, anticorruption campaigns carry certain inherent dangers, such as how to deal with former presidents, that often detract from their credibility. Third, despite the serious tone they project and the optimism they inspire, anticorruption campaigns have proved largely unsuccessful in more than temporarily curbing the incidence of corruption. (Morris 1991:91)

Rather than assuming that a period of reforms represents a sea change in political accountability, reforms might better be judged as part of a longer historical process. When this cycle of corruption and reforms is forgotten, scholars tend to overemphasize the depth and efficacy of new policies, losing sight of the developmental impact of historically institutionalized processes of governance and control.

An incumbent can point to problems that are belatedly becoming obvious and use them to garner support for his proposed reforms, even if they include austerity programs or policies with a high initial / short term social cost. He can attempt to pass the blame for the emerging problems to external or extenuating circumstances, rather than poor governance, thereby retaining as much respectability as possible for his party. By the second half of the *sexenio*, some of the new policies take a toll on certain social groups. Some groups benefit at the expense of others. In order to perpetuate the PRI regime, the president must attempt to regain the loyalty of some of them. Through the use of corporatist and clientelist means, the ruling party targets select disenchanted groups, making them the beneficiaries of government programs and heavily publicizing the ensuing improvements in their situations. This apparent progress coincides with the fifth and sixth years of the *sexenio*, and serves to win the votes of significant factions in the next round of elections.

These and other factors combine to increase the level of corruption at the end of each *sexenio*. This has led to the institutionalization of what is known as the “year of Hidalgo,” the scramble for money and personal gain at the end of the term of political office:

High turnover rates, the lack of job security, and the absence of a solid pension or retirement fund often lead public officials to prepare individual retirement schemes; even for those who continue in government, the unlikelihood of remaining at their current post erodes their accountability to the constituents of the agency. Increased public spending and a weakening of the anticorruption campaign during the latter years of the term further contribute to the opportunities for corruption. The result is widespread corruption during the final year of the *sexenio*....[T]he year is popularly dubbed the 'year of Hidalgo' (referring to Miguel Hidalgo's likeness on Mexican currency): 'este es el año de Hidalgo, chin-chin el que deje algo' ('this is the 'year of Hidalgo', he is a fool [polite form] who leaves something'). (Morris 1991:84-85)

Morris argues that "the year of Hidalgo and the anticorruption campaign represent two sides of the same coin" (Morris 1991:86); as the *sexenio* wears on, the campaign against corruption wanes and corruption itself grows. Thus the PRI uses different phases of the *sexenio* to achieve various electoral and governing objectives. These two phases, the anticorruption campaign and the year of Hidalgo, are informally institutionalized patterns of behavior in the ongoing chronology of Mexican political interactions.

Neoliberal Policies and Trade Agreements

To understand the impact of these and other institutions on the implementation of neoliberal reforms in Mexico, a brief general introduction to the reforms in Mexico is useful.¹⁹ The first economic stabilization package, the Program of Immediate Economic Reorganization (*Programa Inmediato de Reordenación Económico*, or PIRE) was announced in December 1982, under the government of President Miguel de la Madrid Hurtado. It consisted of a "shock treatment" in 1983 succeeded by "gradualist" policies

¹⁹ For a thorough description of Mexico's economic reforms, see Lustig (1998). See also Cook, Middlebrook and Horcasitas, eds. (1994), González Gómez (1998), Heath (1998) or Ramírez (1997).

during 1984-85 (Lustig 1998:29). Shock treatment began with a large devaluation of exchange rates, and a planned cut in public spending; gradualist policies meant that no new drastic fiscal and exchange rate measures would be implemented (Lustig 1998:30-31,34).

Yet this stabilization program failed, and during the 1983-1985 period, actual inflation was 25-45 percent higher than the original International Monetary Fund (IMF) predictions (Lustig 1998:35). Between 1983 and 1987, foreign debt had to be rescheduled three times (Heath 1998:42). These initial orthodox stabilization methods failed in part because Mexico was experiencing “inertial inflation,” a cycle of inflation followed by high salary increases that cause further inflation (Heath 1998:44). Structural reforms were limited. Privatization of public firms began, but meaningful changes proceeded very slowly.

Trade reform began in 1985 and Mexico joined the General Agreement on Tariffs and Trade (GATT) in 1986. Trade liberalization was accelerated in the mid-1980s, and tariffs were reduced from an average of 27 percent in 1982 to an average of 13.1 percent in 1987 (Heath 1998:45). In October 1987, stock markets crashed internationally, and in response, Mexico initiated a new stabilization program that would combine elements of heterodox and orthodox approaches, along with an Economic Solidarity Pact (discussed in Chapter 5) (Heath 1998:44).

In December 1988, President Salinas de Gortari took office and pushed even more strongly for economic liberalization. Economic reforms took precedence over political reforms during this sexenio (Valdés Ugalde 1994:231). Mexico’s foreign debt was rescheduled for a fourth time since the crisis began, and this time outstanding external debt

was reduced and interest payments were lowered (Heath 1998:47). Salinas also initiated PRONASOL to ameliorate extreme poverty (as discussed in Chapter 6). Nonetheless, Mexico's GDP per capita grew at declining rates during the Salinas sexenio, and domestic savings fell.

Mexico began negotiations for a free trade area with the U.S. in 1990, and NAFTA went into effect on January 1, 1994.²⁰ NAFTA became the world's largest free trade area. Mexico also signed a free trade agreement with Chile in 1991, and pursued free trade agreements with Central America, Colombia and Venezuela (Lustig 1998:134-135). Stronger ties with Europe and Japan were also high priorities. In 1994, Mexico became a member of the Organization for Economic Cooperation and Development (OECD).

These trade agreements liberalized trade among the participating countries, but at the same time they contradicted the neoliberal ideal of liberalizing trade universally. Through the creation of these specialized trade agreements, member countries gained a special interest in development issues affecting their trading partners. These linked interests have had a significant effect on the U.S. response to economic crises in Mexico since the NAFTA.

Following these moves to liberalize trade, in 1994-95 Mexico experienced another severe economic crisis, often referred to as the "peso crisis." The peso was severely devalued, falling from 3.46 to the dollar in December 1994 to 6.33 per dollar by mid-1995, and to 7.54 by early 1996 (Handelman 1997:139). Analysts argued that the peso

²⁰ As mentioned earlier, the effects of NAFTA are discussed further in Chapter 6.

should have been devalued earlier, and others critiqued the way the devaluation itself was carried out. The Salinas administration apparently decided to postpone the devaluation because of a desire for smooth national elections in 1994, and a fear of disrupting the banking system (Lustig 1998:163). The international impact this crisis had on economic flows is sometimes called the “tequila effect.”

The crisis was essentially the result of three factors: an expansive monetary policy, the current account deficit and unilateral trade liberalization (González Gómez 1998:46).²¹ The Mexican government had issued nearly \$30 billion worth of short-term, dollar denominated treasury notes (*Tesobonos*) that were to come due in 1995 (Handelman 1997:138). This represented 62 percent of total federal government debt in 1994 (González Gómez 1998:49). In addition, a balance-of-payments problem was renewed as a result of trade liberalization. The low domestic savings rate had made Mexico extremely dependent on foreign funds. These problems were also compounded by domestic political issues—such as the Zapatista uprising—that made foreign investors nervous (Handelman 1997:138-139).

The Mexican economy recovered rather quickly from the peso crisis, due largely to rapid moves by the U.S. to protect the economy (Lustig 1998:172-200). Just over 50 billion dollars became available as an international rescue package, about half of which was actually used (González Gómez 1998:50). A structural adjustment package was also

²¹ More precisely, González Gómez explains that these three factors are: the way monetary policy (liquidity, interest rate, and exchange rate policy) was implemented during 1994; the size of the current account deficit (which reflected a huge gap between imports and exports), as well as the means used to finance it; and the way in which trade liberalization took

signed with the IMF, and in 1996, the economy rebounded with 5.1 percent growth (Heath 1998:57). The U.S. role in bolstering the Mexican economy during this difficult period was key to its rapid recovery, a recovery which has obscured from international attention many urgent development needs which still linger.

Despite a broad variety of neoliberal reforms, the Mexican economy still has major weaknesses. Among these is a need for tax reforms, an increase in consumer savings, deregulation and better debt management (Heath 1998:58-59). As a result of strong corporatist ties, neither the electricity monopoly nor the oil monopoly has been dismantled. Income inequality rose sharply during the implementation of neoliberal reforms (Lustig 1998:94). On the whole, the reforms have yet to produce tangible results for most of Mexican society.²² The chapters that follow will examine the ways that state institutions impact the implementation of these neoliberal reforms.

Conclusion

A number of formal and informal institutions have historical significance in Mexican development. These include both an informal belief in Revolutionary ideals and the formal institutionalization of many Revolutionary ideals into the Mexican Constitution. PRI /state fusion causes many citizens to disbelieve that a change in the governing party is

place (essentially a unilateral and indiscriminate import tariff reduction), especially during the early 1990s. (González Gómez 1998:46)

²² Heath (1998:59) explains that,

Still, the thorniest issue concerning all of the reform efforts since the late 1980s is the lack of tangible results. Regardless of whether the goals for reform have been met or revised, if genuine improvements do not materialize soon for most of society, the political backlash will set the country back....The cost of the reforms have been much higher than anticipated; those tangible benefits are necessary to make it all worthwhile.

even possible. At election time, this informal norm causes some citizens to simply void their votes in protest.

Corporatist institutions are powerful in the Mexican political system. The corporatist system is marked both by formal corporatist institutions such as the historically incorporated CNC, the CTM and the FNOC, and by informal institutions, such as the belief that in order to accomplish political goals, corporatist organization is best (or inevitable). The heritage of corporatist forms of governance has led to a debate over the existence of neocorporatism, which has a broader social base. This will be discussed further in Chapter 5.

Related to the corporatist sociopolitical organization is the reliance on patron-client ties between elites and citizens seeking to benefit directly from the system. This may take forms that range from fairly appropriate relations to downright corrupt interactions. These institutionalized interactions include both “carrot and stick” types of corruption. Corruption is the focus of an anticorruption campaign at the beginning of each presidential *sexenio*, but as the *sexenio* passes, public officials return to profiteering tactics, culminating in the corruption-filled “year of Hidalgo.”

When thinking about the history and future of the Mexican corporatist system, it is useful to adopt a historical institutionalist perspective such as that suggested by Stepan (1978). This integrates the insights of structural and agent-centered approaches. Elites shape development but they also take the institutional context as a given, and make decisions accordingly. The following chapters will highlight the ways that state institutions hinder and distort the effects of neoliberal reforms. Still, policy objectives over time are dynamic, not frozen. As neoliberal policies are implemented, policy contexts

change. Changes in a policy context may necessitate a corresponding change in the policies to be implemented, and policy makers can evaluate and reevaluate the effectiveness of their policies. When the intended results are not realized, policy makers have the opportunity to reformulate their recommendations, although this process is often delayed or ultimately never accomplished, as the next two chapters will reveal.

For this reason, the institutional features of the state are important to keep in mind when studying development in Mexico or any developing country. This background on Mexican sociopolitical organization provides the context for the discussion of the role of institutions that follows. In Chapters 5 and 6, the formal and informal institutions that have historically played a role in Mexican development are examined to determine their impact on the implementation of neoliberal reforms at the end of the 20th century.

The sample of institutions examined in the following chapters is not representative of all state institutions. State institutions linked to the private sector are not examined.²³ Private sector links to the state have varied historically since the Revolution, alternating between support and opposition for the PRI/state. State-private sector institutions support and advance neoliberal policies in many ways. On the other hand, elements of the private sector had also gained benefits such as manufacturing subsidies during the period of import substitution industrialization. As these are eliminated, some neoliberal reforms hurt parts of the private sector. While the overall impact of state-private sector institutions may encourage and advance neoliberal reforms, in other ways, these

²³ The impact of state-private sector institutions on neoliberal reforms is the subject of other scholarship (e.g., Roett 1998; Valdés Ugalde 1994).

institutions may serve as forces that retain traditional positions of privilege for parts of the private sector.

This project focuses instead on state institutions in labor and agrarian sectors. The decision to focus on these was made specifically because of their traditional historical positions in the PRI/state. Neoliberal reforms aimed to weaken the power of these traditional sectors. Since their positions have been far more stable (although they have gradually been losing strength) than those of state-private sector institutions, labor and agrarian institutions provide better insights into the ways that state institutions impact the implementation of neoliberal reforms.

CHAPTER 5

THE MAINTENANCE OF INSTITUTIONAL INFLUENCE IN MEXICO: CORPORATIST INSTITUTIONS, PACTS, AND STATE-LABOR INSTITUTIONS

Historical Mexican state institutions influence the implementation of neoliberal reforms during the 1980s and 1990s, as this chapter and the next will demonstrate. In general, these institutions hinder the implementation of reforms, although at times their impact is somewhat mixed. This chapter begins with a general review of the status of the reforms in Mexico, which sets the stage for the presentation of a broad spectrum of institutional effects, highlighting the impacts of both formal and informal institutions. The maintenance of corporatist institutions and the role of pacts are debated, as well as a number of institutions influential in the labor sector. State labor institutions are shown to have significant effects during the implementation of neoliberal reforms. The evidence presented here is qualitative in nature and broad in scope. The objective is to provide the reader with a sense of the variety and significance of institutional effects.

The study of institutional effects during neoliberal reforms is inextricably linked to an examination of the political dimension. As economic reforms spread across the globe, so too has the push for political liberalization. Disagreement exists over the extent to which economic liberalization is possible concurrent with political liberalization (see, e.g., Przeworski 1990). The tensions between political and economic liberalization are manifested in state institutions in Mexico.

General Institutional Effects at the National Level

A number of scholars provide general assessments of the extent of neoliberal reforms and point to institutional effects impacting their implementation (e.g., Ramamurti 1999, Roett 1995, Teichman 1996). The success of reforms has been mediated by formal and informal state institutions, and discrepancies exist between the pronounced national development policy goals and the policies actually implemented (Teichman 1996). After the debt crisis of the early 1980s, Mexico's neoliberal reforms were characteristically slow rather than rapid (Teichman 1996).¹ Trade liberalization did not begin to take place until 1985, external economic events in 1987 and 1988 caused a deepening of the process of economic restructuring and badly needed fiscal reforms began in 1989 (Teichman 1996:155; Tornell 1995:70). The timing of these policy reforms lagged years behind the original rhetoric of reform (which followed on the heels of the debt crisis of the early 1980s). Even by 1996 only 21.13 percent of all state-owned enterprises (SOEs) in Mexico had been privatized (Ramamurti 1999:141).²

A variety of institutionalized commitments carried out through various state institutions initially served to dampen the reforms of many national policies (evenly and

¹ According to Teichman, this was especially true during the first several years of the reforms:

Despite what appeared to be a firm commitment to structural change, however, the government proceeded slowly with its program. During 1983 and 1984, import controls and subsidies remained in effect. And although the state divested itself of over 200 public enterprises...these enterprises were either paper companies or were in areas considered neither strategic nor priority. (Teichman 1996:153)

² Ramamurti provides data on 24 developing countries and describes their privatization programs in general as "languishing" (Ramamurti 1999:142).

across-the-board). Neoliberal reforms were not always promoted or upheld, and a significant discrepancy exists between the rhetoric of reform and their actual progress. Institutional factors influenced both the direction and the pace of these reforms, leading to unexpected outcomes.

Mexico has had a public agenda as well as a different, hidden agenda for its national politics over many decades (Knight 1996a; Romanucci-Ross 1986). A gap exists between constitutional principle and daily practice, with the 1917 Constitution serving as the public transcript and the actual daily practice of politics expressing the hidden agenda (Knight 1996a). An example of this is the concealing from the public of the true state of the economy, especially at the end of a *sexenio*, keeping public tensions artificially low even during difficult economic times. This has occurred historically, with extreme instances found at the end of the Salinas de Gortari presidency in 1993-1994. Since at least the 1920s, reformers of the state have sought to compel politicians to live up to their public transcript (Knight 1996:224).

The double agenda has been played out most transparently at the national level during most of the 20th century. A similar double agenda now also exists between the national and *international* levels, with a public agenda being presented to international observers and financiers, while a hidden agenda reflects more nationalistic political goals. Since this type of politics (characterized by both a public and a hidden agenda) has been common at the national level for more than half a century, it enjoys a level of tolerance within Mexico. The double agenda hinders the impact of neoliberal reforms, but is used to bolster the ruling regime.

The PRI regime is famed for its longevity and stability. This political stability is a result of the fact that the ruling party is based on an ongoing compromise between two factions: the modernizing *técnicos* and the traditionalist *políticos*. This split was established in 1963 (Collier 1992:97). The traditionalists are career politicians, and are referred to as “dinosaurs” by the modernizers. The modernizers, on the other hand, are “professionally educated holders of top cabinet and policy-making posts who rose through bureaucratic and administrative ranks rather than political, party, or electoral careers” (Collier 1992:86). Yet the *técnicos*’ economic policy-making does have political links, since they are politically sensitive to the demands of the private sector. They have attempted to move the state away from its alliance with peasant and labor sectors in favor of the urban middle classes. Thus *técnicos* can benefit politically from opening the economic system. This rough distinction between *políticos* and *técnicos* is only one aspect of the divisions within the PRI. In terms of political liberalization, *políticos* and *técnicos* are also divided into those who want to maintain one-party hegemony and those who favor political opening (Collier 1992:125).

The lack of consensus within the PRI causes political conflicts to become manifested in PRI institutions. As *técnicos* push neoliberal policies, their policies are supported by the private sector. Private sector support benefits the *técnicos* politically, and their strength gains relative to the *políticos*. Politically, however, if the PRI loses too much support from traditional sectors, it faces the possibility of losing political power to the extent that it might no longer be able to implement neoliberal policies. Thus, changes in economic policies have reflected political compromises between *políticos* and *técnicos*.

The political tensions between *técnicos* and *políticos* are played out at various levels of the Mexican political system. At the highest level, different candidates for the presidency of the Republic represent these competing perspectives, as may be discovered by examining the recent selection of the PRI's presidential candidate for 2000. President Zedillo (1994-2000) promised political liberalization would occur during his term as president, and one of his strongest actions in this direction was his decision to give up the tradition of the *dedazo*. The *dedazo* refers to the president's handpicking of his successor within the ruling party. President Zedillo chose instead to institute a presidential primary for the selection of the PRI's candidate for the presidency, and the first PRI primary was held on November 7th, 1999.

The political positions of the PRI candidates reveals the ongoing tensions evident in the PRI. The candidate who won the primary (with 5,337,545 of 10 million votes), former interior secretary Francisco Ochoa Labastida, is widely known to have been President Zedillo's personal favorite. Labastida is more of a *técnico* than a *político*, since he has been appointed to most of his political positions (although he has been vague about his position on economic policies). Many Mexicans believe that if the *dedazo* had not been eliminated, Labastida would have been the handpicked successor. The candidate who most represented the traditionalist *políticos*, Roberto Madrazo Pintado, gained only 2,766,866 votes. After the primary, Madrazo quickly threw his support behind the candidacy of Labastida, who previously had promised to provide Madrazo's supporters with important political posts if he won the primary. This action reveals the continuities of the political compromise between *técnicos* and *políticos* within the ruling PRI. If

Labastida wins the Presidential elections on July 2, 2000 (as predicted), then this political compromise will continue to define PRI politics during the 2000-2006 sexenio.

The tensions between *técnicos* and *políticos* at the highest level of Mexican politics (the presidency) are also manifested at other levels. In the example just described, Madrazo supporters are offered political positions in order to fortify the unity of the PRI in preparation for national presidential elections. These mid-level political posts will thus be filled with a significant number of traditionalist *políticos* interested in maintaining corporatist and clientelist ties with specific constituencies. In turn, at the lowest level of the political system, political patrons will maintain the ties with these *políticos*, in order to retain access to political spoils to disperse to their clients in exchange for political support. In this fashion, the tension between *políticos* and *técnicos* reverberates through the entire PRI government. This is but a single example of the linkages and tensions between the two groups that become manifested in state institutions at various levels.

When neoliberalism was adopted by Mexican *técnicos* as a means of resolving the development problems of the debt crisis, more traditionalist *políticos* sought to retain key elements of corporatist socio-political arrangements that were politically convenient. A variety of informally institutionalized norms also influenced the pace of espousal of neoliberal reforms. The reforms filtered through these institutionalized norms about the responsibilities between state and society.

Mexican neoliberalism is not even touted domestically as neoliberalism, but rather, is better known as social liberalism. Former President Salinas de Gortari named the Mexican variant “social liberalism” for political reasons (Middlebrook 1995:302). The name “social liberalism” conjures up the ideals of the Revolution, and appeals to the

electorate on that basis. By articulating “social liberalism,” Salinas was able to defend the necessity of neoliberal reforms while associating himself with many of the ideals of the Revolution in the process:

...[Salinas] highlighted the liberal, constitutional elements of postrevolutionary beliefs, reaffirming the state’s responsibility for promoting social justice while criticizing the state-led, protectionist model of economic development traditionally associated with revolutionary nationalism. By referring to his program as ‘the reform of the revolution,’ Salinas sought to ground his ideas firmly in that earlier tradition. One might even argue that Salinas’s strong emphasis on social justice themes reaffirmed the continuing vitality of the most important political ideas embodied in the Mexican revolution, ideas whose survival into the 1990s depended in large part on the continued presence of mass organizations such as the CTM which were committed to defending them (Middlebrook 1995:303-304).³

The name “social liberalism” epitomizes the continued informal commitment (or “pact”) between the regime and its constituents. The “social” aspect of Mexican neoliberalism may in fact be quite weak, but at least on some level, the policy sounds more attentive to social needs. This remains important in a country such as Mexico, whose political stability is based on continued social tolerance of development policies that carry significant burdens for large segments of the population. These aspects are important to consider when a development policy is conceived. Revolutionary norms have acted as a filter to the implementation of neoliberalism:

The cultural poverty of neoliberalism has led to the appearance of... hybrids...[of] free markets with traditional social values...

In Mexico, this hybrid has been dubbed ‘social liberalism.’ Social liberalism seeks to reclaim the tradition of nineteenth-century Mexican liberalism and the political values associated with the Mexican Revolution.

³ The CTM is the *Confederación de Trabajadores Mexicanos* (Confederation of Mexican Workers).

In this sense, the state is to be less proprietary while remaining strong. The state deregulates and privatizes, but not totally...

Mexican social liberalism is not, nor can it be, pure neoliberalism.
(de la Garza 1994:200-201)

Former President Salinas presented the ideology of social liberalism to the PRI and all Mexicans as an alternative to both state capitalism and libertarianism (Middlebrook 1995:303). During the first two years of the Salinas administration (1988-1989), this brought forth,

...an unusual combination of political reformism, economic neoliberalism, and social welfarism.... The first contemplated the destruction of the basis for competitive politics and the transformation of the official party into a more responsive organ of the state; the second chose the regional free-trade route to economic recovery; the third rekindled the popular alliance via a revamped welfare program. (Brachet-Marquez 1994:161)

Thus the political and economic policies implemented under Salinas involved a mix of policies. Some were overtly organized around previously institutionalized relationships, and important elements of social welfarism remained.⁴ Although the *técnicos*' goals were the implementation of neoliberal reforms, the political compromise with the *políticos* and the institutional framework shaped how the reforms would be enacted.

Thus two types of overarching institutions were perpetuated nationally during the implementation of neoliberalism / "social liberalism," with distinct impacts on development. *First*, the informally institutionalized "double agenda" survived despite the reformist aim of transparency in political and economic interactions. Domestically, the public agenda, and the agenda of the *políticos* espoused continuing Revolutionary ideals (including

⁴ This is further evidenced through the government's highly publicized anti-poverty program, PRONASOL, which is examined in Chapter 6.

commitments to labor and peasant sectors), while the more hidden agenda involved the implementation of neoliberal structural adjustment policies that would take a harsh toll on large segments of the population. In relations with the international financial community, on the other hand, a different dynamic was at work. Mexican politicians (especially the *técnicos*) sought to demonstrate a deep adherence to neoliberal dictates, while in reality, the regime still had many state-owned enterprises and relied heavily on the support of corporatist mass organizations. The institutional limits on the implementation of neoliberal reforms made it impossible for the regime to publicly present an accurate portrayal of the misshapen process, either domestically or to the international financial community. Ultimately, this caused economic and political problems both domestically and internationally. Domestically, constituents have grown increasingly dissatisfied with the toll the reforms continue to take, as income inequality grows and poverty remains high.⁵ The Zapatista uprising is a manifestation of this discontent. Internationally, the peso crisis in December 1994 set off a precipitous drop in investor confidence.

The *second* type of institution perpetuated nationally with the articulation of social liberalism is the reliance on mass organizations such as the CTM. Salinas attempted to shift the benefits of social welfarism from the incorporated collective social groups to a more liberalized commitment to popular rights (Middlebrook 1995:304). Yet although the incorporated collective groups have been downgraded in significance, they have hardly disappeared from the scene. Instead, informal pacts with these incorporated groups

⁵ The number of poor grew from 36 to 43 percent of the population since Zedillo took office, a 20 percent increase during his sexenio ("National Union of Workers...September 16, 1999).

remain significant during the implementation of neoliberal reforms, and these pacts are refreshed by the rhetoric of social liberalism in Mexico.

One way to examine whether neoliberal reforms are successfully transforming the populist state is to examine the transformation of institutionalized corporatist and clientelist policies. Given the significant historical impact of corporatist and clientelist institutions on the political economy of Mexico, one would expect a package of neoliberal reforms to attempt to curtail their impact, since such institutions are considered strong hindrances to the efficient and democratic operation of political and economic systems. Neoliberal reforms aim not only to alter formal institutions of the state, but also to eradicate the corporatist and clientelist informal operating procedures in Mexico and other Latin American states. As de la Garza argues, “Neoliberalism and corporatism appear in theory to be mutually exclusive” (de la Garza 1994:199). How extensive has the reduction of corporatist and clientelist institutions been?

Declining Corporatism and Clientelism?

This section will demonstrate a variety of ways that corporatist and clientelist institutions hinder and distort the impacts of neoliberal reforms. Corporatism and clientelism are not fading away as a result of neoliberal reforms, although some scholars have predicted their demise (e.g., Teichman 1996; Tornell 1995). Neoliberal policies may not force the dissolution of patronage systems. Indeed, some neoliberal policies might actually *strengthen* older (and often corrupt) informal institutions of the state (Tornell 1995:70). Since neoliberal policies have been and are being adapted at different times, not

all reforms occur simultaneously. During the interim, old corporatist ties continue to function, although they may adapt new forms.

Another neoliberal claim often made about corporatism in Mexico is that it is being replaced by neocorporatism, a variant with less state control. This claim has been exaggerated. "State corporatism" (corporatism in an authoritarian context) may be distinguished from "societal corporatism" (corporatism in a liberal democratic context) (Schmitter 1979:13). Similarly, the term "neocorporatism" is sometimes adopted to "avoid the negative connotation that can derive from the identification of corporatism with fascism" (Collier 1995:157, fn. 1). Thus the term "neocorporatism" is generally meant to imply a more societally-oriented corporatism. This is true especially when applied to a European context. However, when used to describe Mexico and other areas of Latin America, its meaning is slightly different (Collier 1995:157 fn. 1).

In the context of the analysis of Mexico, neocorporatism continues to leave room for significant state control. The term is used more to highlight a shift (and broadening) in which groups are incorporated than to denote a more fundamental change in state-society power relations. In Mexico in the 1990s, a highly controlled version of neo-corporatism is emerging (Jones 1996:190).

The PRI now reaches out to groups that are no longer captured within the older incorporated structures. This PRI technique of coopting disenchanted groups has historical precedents, and reveals the linkages between the older variant of corporatism and neocorporatism:

The project of political regeneration...has come from within, not to rid the system of corporatism or its institutions, but to seek to renew these institutions and to devise new methods to allow them access to the system.

Again, there is an historical precedent; setting up parallel systems of intervention is a common theme in Mexican political history which has not hitherto been labelled as neo-corporatist. (Jones 1996:197-198)

Neocorporatism is granted space only to incorporate new sectors, not to undo state-corporatism. The term neocorporatism can be used to mean different things in different contexts, and in the Mexican context it should not be construed to represent a significant shift in control from state to society. On the contrary, it describes a co-opting of more societal groups without meeting new societal demands. Mexican neocorporatism may counter-intuitively imply a strengthening of the state *vis-à-vis* civil society (Harvey 1993b:214).

Disassembling corporatist institutions is a more complex task than is frequently acknowledged. The attempt to reform the Mexican political system by doing away with corporatist ties sometimes backfires (Craske 1996). For example, from 1989 to 1993 there was an attempt to reform the popular sector of the PRI, including regularizing membership and making political practices more transparent.⁶ After a series of reform strategies,⁷ the reforms eventually failed. The reforms failed because of the PRI's contribution to the maintenance of power by elites, who worked to keep the old institutions in place in order to continue systematically reaping personal rewards.⁸ Certain

⁶ The popular sector is the third pillar of the PRI, originally called the *Confederación Nacional de Organizaciones Populares* (National Confederation of Popular Organizations, or CNOP). The CNOP changed names to *Une-Ciudadanos en Movimiento* (Unite-Citizens on the Move) in 1989 and to *Federación Nacional de Organizaciones y Ciudadanos* (National Federation of Organizations and Citizens, or FNOC) in 1993 (Craske 1996:84-86).

⁷ See Craske 1996:84-86.

⁸ The attempt to reform the popular sector reaffirmed both the power of the PRI and the importance of corporatist institutions, as revealed by Craske:

early advances were actually reversed, causing a return to traditional corporatist relations. This has broader implications for the more general attempts to reform corporatist institutions under neoliberalism.

This example supports the validity of a historical institutionalist perspective on the role of institutions in development. Reform attempts were less significant than the existing institutions, which dictated the ultimate outcome of this reform attempt. Neoliberal reformers operate within institutional settings that may stymie their best efforts. Historical institutionalism focuses attention on these institutions.

The continuities of corporatist ties are also highlighted through evidence of corporatist pacts, the structuring of PRONASOL and other features of the Mexican political system in the 1980s and 1990s (as discussed in the remainder of this chapter and in Chapter 6). If corporatist and clientelist relations and state intervention are purportedly becoming obsolete, one should not expect to find prominent examples of such links in action. Yet the persistence of strong clientelist ties is evident even in Mexico's third neoliberal presidency. After the economic crisis of 1995, a 71 billion dollar bailout of Mexican banks took place. In March 1998, Mexican President Zedillo proposed the transfer of debt that the bailout agency incurred to the state, an accounting shift that

To control the reform project, both regarding the party and...broader political and economic questions, the elite need to stay in power and the PRI, whilst not as effective as it has been, still provides a substantial contribution to the maintenance of power. Consequently, a complete dismantling of the system was not carried out giving the old guard important political leverage allowing them to counter attack. This ...has lead to U-turn and retrenchment of corporatism. The final stage of the Popular Sector reform returned it to the same basic structure as 1988...[T]he membership was left virtually intact...and, more importantly, the political practices remained largely the same. (Craske 1996: 85-86)

would raise domestic public debt from 28 percent to 42 percent of GDP (Anderson, Washington Post, August 7, 1998).

The bailout is strong evidence of the continuation of long-standing agreements between big business and the government.⁹ Clientelistic ties between banking elite and the PRI/state are latent in the expensive bailout:

Citing banking secrecy laws, finance officials have refused to release the names of companies and individuals who defaulted on debts that the government subsequently took over under a program that kept Mexico's banking system from collapsing. The secrecy has fueled suspicion that the bank bailout amounts to a scam by power brokers in the ruling Institutional Revolutionary Party (PRI) to line their own pockets and protect their friends. The scandal has already grazed [Mexican President] Zedillo, the head of the central bank—the Bank of Mexico—and several presidential hopefuls. (Anderson, Washington Post, August 7, 1998)

Accusations of clientelist political corruption abound (e.g., Tricks, Financial Times of London, August 10, 1998). The public visibility of the continued clientelistic ties between powerful business interests and the PRI / state also serves to perpetuate a belief in clientelism as a way to achieve one's personal goals. The government's bailout of the bank was in line with the clientelistic relations institutionalized in its past. The bailout program took over 7.7 billion dollars worth of questionable or illegal loans, including 4.4 billion in loans that the banks had given to other entities with which they had direct business relationships (Dillon, New York Times, July 22, 1999a). The scope and scale of this incident leave little room for doubt about the continued significance of these

⁹ One analyst criticizes the depths of these connections by asserting that "During almost seven decades in power, the ruling Institutional Revolutionary Party (PRI) has cultivated ties with the business elite and stonewalled opposition-led corruption probes" (Tricks, Financial Times of London, August 7, 1998).

institutions to national development. The 14 percent increase of Mexican domestic public debt relative to Mexican GDP will impact development for years to come.

These accusations reveal the folly of analysts who claim that clientelism has faded into insignificance in recent years. Clientelism is not becoming obsolete in Mexico in the late 20th century, undone by the transparency of modern politics and the adoption of more free-market economic agendas. Even decades after the onset of neoliberal reforms, clientelist ties continue to influence the direction of national development. Corporatist institutions also adopt new guises in a shifting environment, rather than simply passing away. This point has been disregarded by neoliberal reformers, at the expense of more suitable development policies that could be designed with consideration of these institutions in mind.

Corporatist Institutions Embodied in Pacts at the National Level during Neoliberal Reforms

A pact is a specific type of institution that may influence the outcome of neoliberal reforms. Pacts may assume either formal or informal incarnations. To describe the informal (i.e., unwritten) pact, the concept of a “pact of domination” in state-labor relations is presented.¹⁰ To reveal the role of formal pacts, the significance of the 1987-1997 tripartite agreements signed by representatives of business, labor, farmers and the

¹⁰ This terminology was originally coined by Fernando Cardoso (1977), and has been used recently by Viviane Brachet-Marquez, in *The Dynamics of Domination: State, Class, and Social Reform in Mexico, 1910-1990* (1994).

state is discussed. Informal and formal pacts are institutions that significantly distort the implementation of neoliberal reforms.

The Pact of Domination—An Informal Pact

The concept of a “pact of domination” is useful to understanding Mexican state-society relations. Although institutionalized, it is an unwritten (and thus informal) pact. A pact of domination is the “*institutionally sanctioned and coercively backed set of rules that specifies who gets what at any one time within the confines of a national territory*” (italics original, Brachet-Marquez 1994:33). In this institutionalized relationship, top-down control by the state is checked by societal power:

The pact-of-domination construct encapsulates two apparently contradictory elements: the notion of *pact* implies negotiation, conflict resolution, and institutionalization, while that of *domination* connotes inequality, antagonism, and coercion. The juxtaposition of these two terms is meant to express the idea that though people accept subordination and exploitation, they do not do so unconditionally. The notion of *pacted domination* indicates simultaneously the power wielded by the state over dominated classes and the institutional or extrainstitutional means the latter have at their disposal to modify the terms of their subordination. (Brachet-Marquez 1994:32-33)

The concept of a pact of domination provides a means of understanding not only institutional continuities (which are expected), but also institutional change (which is more elusive). In times of class conflict and political crisis (during which there is a partial rupture of both formal and informal institutional mechanisms), the reformist state responds with concessions to incorporated societal groups (Brachet-Marquez 1994:7). These episodes of class conflict punctuated by social reforms have created an institutionalized pact between the state and society (Brachet-Marquez 1994:7). This institutionalized pact may be traced from 1910 through 1990, through several different development periods.

The pact of domination continues to be relevant at the end of the 20th century, despite neoliberal reforms. The informal pact between the state and the incorporated mass organizations is embodied in the rhetoric of social liberalism. The Mexican state responds overtly to the needs of constituents with attempts to improve the general *perception* of the state's responsiveness to societal needs and to sustain the pact of domination. For example, the PRI/state may be challenged by independent workers' unions, and choose to include some of them in aspects of governance. Yet at the same time, they may exclude more radical groups.¹¹ This process over time fortifies the belief that working with the state is one way to achieve group goals. It also bolsters the position of the state as a significant force in state-societal relations.

Adaptability characterizes many institutionalized relations in Mexico, and is one reason for the incredible longevity of the PRI regime (see e.g., Collier 1992, Zapata 1996). Informal pacts among social actors and the state cause the state to hang on to elements of social welfarism, in contradiction of the goals of neoliberal reforms (Brachet-Marquez 1994; de la Garza 1994). The informal pact of domination is also manifested in formal state institutions.

The Pact for Economic Solidarity and other Formal Pacts

Formal pacts are the embodiments of these informal institutions, revealing the reincarnation of historical pacts in tangible modern institutions. Recent intersectoral pacts tie together some of the same sectors that have frequently been features of the Mexican

¹¹ See, e.g., "Government Denies Independent..." (July 1999:11).

political landscape since the Revolution. Examples of such intersectoral pacts include in the annual formal economic pacts created between 1987 and 1997. The first of these, the *Pacto de Solidaridad Económico* (Pact for Economic Solidarity or PSE) was signed on December 15, 1987 by former President Salinas and representatives of the labor, farming, and business sectors (Aspe 1993:22).¹² These sectors overlap with sectors incorporated into the PRI and benefiting from the corporatist system, as described in Chapter 4.¹³

The PSE was established to fulfill both economic and political roles:

... [T]he... PSE... was established as an agreement between the economic elite, the official labour unions and the government to reduce inflation by means of wage reductions and price control. The political purpose of the PSE was the re-establishment of class harmony and a moderated reformulation of the tripartite social pact with a corporatist nature. (Fernández Jilberto and Hogenboom 1996:150)

The PSE is evidence that the historical social pact between the Mexican state and key social groups remains important during the period of neoliberal reforms.¹⁴ The

¹² Grindle recounts the agreements of each sector:

The government agreed to discipline public finances, cutting spending to 20.5 percent of GDP and increasing revenues. Workers agreed to moderate their future wage demands in return for a short-term adjustment of 38 percent and an incomes policy based on a basket of basic commodities. In return for wage restraint, business promised to increase productivity and lower profit margins. The bargain for farmers included relative price adjustments in return for increases in productivity. The government committed itself to tight monetary policy, an exchange rate policy to minimize the need for major devaluations, expansion of trade liberalization, and privatization of the large public enterprise sector. (Grindle 1996:56)

¹³ Labor and peasant sectors have historically been incorporated. Big business has historically benefited from the wage controls on labor as well as the state subsidies during ISI.

¹⁴ Lustig explains that,

[A]lthough the popularity of de la Madrid's government was not high, the Mexican state had the institutional clout and authority to make

corporatist nature of the PSE and the subsequent economic pacts which followed is unmistakable.

The decision by the government to use the pacts to achieve its goals is intriguing, since it reveals the use of corporatist (rather than purely liberal) means to ease the implementation of neoliberal reforms such as fiscal adjustment, privatization and trade liberalization. The lack of a coherent plan since 1982 had contributed to economic troubles. When the decision to use a pact was realized, the 1988 economic forecast was grim, predicting,

135 percent inflation (the highest since the Revolution) and a public deficit of 18.5 percent of GDP (Whitehead, 1989:183). Since 1982, experts in the financial sector had been disagreeing on the best remedy for the economic crisis: shock or no shock, exchange control or no exchange control, and so on. (Brachet-Marquez 1994:158)

The PSE was renewed four times in 1988. This formal economic pact was the model for subsequent tripartite pacts, known as the PECE—the Pact for Economic Stability and Growth—during later years (after 1989). The pacts were bolstered by a monitoring mechanism (“a commission...of high-ranking officials from the government itself and representatives from labor, agriculture and business”) that kept policymakers informed of the performance of the participants in the pact (Lustig 1998:54). Since the pacts retained corporatist features, they contradicted certain elements of neoliberal reform packages while simultaneously advancing other aspects of them. The distinctive character of the pacts is highlighted by the fact that they were set up without the help of the

implementing an incomes policy easier than in other countries. Its corporatist character provided the government with adequate interlocutors to implement such a policy... (Lustig 1998:52)

International Monetary Fund (IMF) (Aspe 1993:34). These pacts served to control inflation, evidenced in the decline in the annual rate of inflation from 131.8 percent in 1987 to 9.8 percent in 1993 (Middlebrook 1995:215 and 264). The early pacts regulated prices in 1988 and 1989 (in contradiction to neoliberal ideals), but price regulations were relaxed in 1990 and even more so in 1991 (Lustig 1998:111).

The annual national economic pacts were used until the formal *pacto* process ended December 31, 1997 (Bierma 1998:3).¹⁵ They served to reformulate the social pact between the state, traditionally incorporated groups and business. The pacts mended fences between the state and business, and maintained significant corporatist control over labor (Heredia 1992:19). Nonetheless, the pacts were the high points of union participation in national economic policy during the period of neoliberal reforms (de la Garza 1994:211). The government provided some relief to workers who endured wage cuts by controlling the price of staples (Lustig 1998:111).

Elsewhere in Latin America, conflictive business-state relations helped to stimulate transitions from authoritarian rule and the liberalization of economies, but the Mexican transition has been "muddled" (Heredia 1992). In Mexico, the processes of political change have actually reinforced aspects of authoritarianism:

¹⁵ For 1998, on the other hand, budgetary matters were worked out among opposing parties in Congress, in what Mexican City economist Jonathan Heath has described as true negotiations with elected representatives:

What finally buried the pacto was the fact that...July 6 [1997] for the first time you had an opposition Congress...The elections changed the rules of the game. This year the government had to sit down with Congress and carry out a true negotiation with representatives who were elected by the majority of the population ...and not with a few un-elected business or labor leaders. (Quote cited in Bierma 1998:4.)

In contrast to the changes in most authoritarian regimes in the region, ...conflict in Mexican-state-business relations stopped short of rupture and business elites' political activation failed to facilitate a full-fledged transition to democracy....[B]usiness elites have thus far only succeeded in ushering in a process of partial and segmented political liberalization which has tended to reinforce, rather than erode, the basic pillars of authoritarian rule. (Heredia 1992:1)

This is caused largely by the continuing significance of institutionalized corporatist control over labor, peasant and popular sectors (Heredia 1992:1). As a result, the Mexican regime did not undergo the same moves away from authoritarianism that many other Latin American states did during the 1980s, and its economic policies have been affected by this institutional heritage.

The series of annual national economic and political pacts used in the late 1980s and 1990s represent formal institutionalizations of old corporatist ties. Although the intersectoral pacts themselves were created in the 1980s and 1990s, traditional informal corporatist institutions lie in the foundations of each. Despite the fact that the pacts were adopted to advance neoliberal economic interests, politically they represented the continuation of less democratic corporatist institutional forms. Ultimately, the direction of political and economic change during this decade of neoliberal reforms was significantly influenced by the informal institutions around which the formal intersectoral pacts were designed. These pacts are evidence that economic development in Mexico during the period of "neoliberal" reforms in Mexico differs in important ways from the neoliberal ideal.

State Institutions Impacting Neoliberal Reforms to the Labor Sector

As discussed above, the successful implementation of the economic solidarity pacts depended largely on the relationship between labor and the PRI / state. Labor incorporation is often considered the key to an understanding of the path of a state's political and economic development.¹⁶ To what extent have neoliberal reforms pushed the labor sector into operating according to neoliberal dictates? This section will show that although reforms have been quite significant and detrimental to labor, a number of formal and informal state institutions have continued to influence the pace, direction and success of neoliberal reforms to the labor sector.

Historical Incorporation of Labor into the Corporatist System

Many state institutions have had an impact on the labor sector over time, and labor has traditionally played an important role in the corporatist structure of Mexico. The importance of labor grew at the turn of the 20th century as a result of changes in the economic base of the economy. The initial incorporation of labor in Latin America took place in response to,

...the commercial and in some cases also industrial growth that accompanied the boom of primary product exports in the last decades of the nineteenth century. Under the impetus of this growth, two new social sectors were created: a working class in commerce, industry, and sometimes exports (such as mining), and the middle sectors, whose social, economic, and political importance had increased rapidly... (Collier 1992:9)

In Mexico, each of these two important new sectors, the working class and the middle sectors, became incorporated into Mexico's governing regime after the Revolution

¹⁶ See, for example, Collier and Collier 1991; Middlebrook 1995.

of 1910-1917. The new middle sectors led the organization of the corporatist system and helped establish a radical populist alliance between the three traditional sectors and the governing Mexican regime (Collier 1992:11). In 1910, 195,000 workers made up the labor sector, whereas 11 million peasants and rural workers made up the peasant sector (Brachet-Marquez 1994:46). Yet the significance of labor relative to the peasant sector should not be underestimated, despite the large difference in the size of each. Of the three incorporated sectors of the PRI, labor sector has been the strongest and best organized for collective political action (Cornelius 1996:82).

Although the relationship with labor has been institutionalized for more than eight decades, the relative power of labor relative to the regime has historically wavered. In the initial years of the Mexican corporatist system, labor was sometimes able to receive concessions from the government at the expense of other important groups.¹⁷ These other groups formed a counter-reform alliance that provided a firm challenge to the position of labor (Collier 1992:12). As a result, the power of labor varied substantially during the first half of the 20th century, alternating between offensive and defensive positions relative to the state.

Corporatist incorporation during the early 20th century took place in three phases: a cautious phase from 1917-1920, and two populist phases, during the 1920s and under Cárdenas in the 1930s (Collier 1992:14). In the first populist period, for example, presidential candidate Alvaro Obregón signed a secret pact with the major labor confederation (the *Confederación Regional Obrera Mexicana*, or CROM), granting

¹⁷ These other groups included United States interests, national capital, the peasant sector and the Catholic Church (Collier 1992:17).

concessions in exchange for political support (Collier 1992:15). Obregón's successor, president Plutarco Elías Calles was also dependent upon labor as his main source of support (Collier 1992:16). Following this period, a conservative reaction resulted in the *Maximato* (1928-1934), and the strong state-labor alliance fell apart (Collier 1992:23). Yet the Maximato was followed by the presidency of Lázaro Cárdenas (1934-1940), during which labor and peasant incorporation peaked.

The Cárdenas government encouraged the formation of new organizations of peasants and urban workers, and grouped the new organizations into nationwide confederations (Cornelius 1996:17). Cárdenas's legacy continues to be honored by many Mexicans even to the present day. His deeds include advocating labor- and peasant-friendly positions:

Cárdenas championed the cause of urban and rural workers and committed the state to intervene in the class struggle on behalf of the working class; he strengthened working-class organizations to defend their interests and encouraged workers to strike and demand wage increases; state arbitration decisions consistently favored labor versus capital; land distribution to peasants was increased and collective ownership of land was encouraged, as was the 'socialization' of means of production and the nationalization and introduction of worker control of firms unwilling to enter into fair collective bargains; workers came to occupy important political posts at all levels of government; peasants and workers were armed; socialist education was introduced into the schools; and the rhetoric of class struggle and Marxism was adopted. (Collier 1992:25)

The CTM, the state-affiliated labor organization, was formed in 1936 and supported by Cárdenas. Fidel Velázquez, the man who would lead the CTM until his death at the age of 97 in June 1997, co-founded the organization. Two years later, the reorganization of the then-governing National Revolutionary Party (PNR) into the Party of the Mexican Revolution (PRM) under Cárdenas took place, which was "the key event

in the political incorporation of the popular sectors" (Collier 1992:30). The ensuing incorporation compartmentalized organized labor, the peasantry, the military, and the middle sectors, tying them closely to the presidency, and did much to fortify political stability (Markiewicz 1993: 79).¹⁸

This incorporation had a mixed impact on the influence of labor. It left a legacy that provided for labor representation and influence within the party, yet also left the system of labor representation open to cooptation and control (Collier 1992:31). When the power of labor was weak, it was forced to provide more support to the state than its own interests required (Brachet-Marquez 1994:78-79). The capacity of the mass organizations for autonomous action has often been questioned (e.g., Collier 1992; Cornelius 1996; de la Cruz 1995). From the 1930s to the 1990s, Fidel Velazquez kept workers from striking, required them to vote for the PRI, and "brokered wage hikes and other concessions from the PRI government" (Bierma 1998:3). These concessions were always limited.¹⁹

¹⁸ As mentioned earlier, the military sector was abolished in the next presidential term (Collier 1992:31).

¹⁹ Collier elaborates on the top-down nature of Mexican political incorporation: By 1940 a much larger proportion of the Mexican population was nominally included in the national political system, mostly by their membership in peasant and labor organizations created by Cárdenas. No real democratization of the system resulted from this vast expansion of 'political participation,' however...[W]orking-class groups[']...influence over public policy and government priorities after Cárdenas was minimal and highly indirect. Policy recommendations, official actions, nominations for elective and appointive positions at all levels still emanated from the central government and official party headquarters in Mexico City, filtering down the hierarchy to the rank and file for ratification and legitimation. (Collier 1996: 18-19)

Nonetheless, belonging to a CTM-affiliated union did provide benefits. The system in place by 1940 remained relatively unchanged until the 1970s, corresponding to the period of ISI. One positive aspect of the incorporation is the close relationship created between the official party and the official unions, with a built-in flexibility that has allowed it to endure into the 1990s (de la Cruz 1995:21). The relationship has institutionalized communications between the two groups. Hence the current weaknesses of labor unions should not be construed as indications of the rupture of the corporatist system. Labor union weakness relative to the state was an issue in earlier decades as well. The roles of official labor unions and other state institutions impacting neoliberal reforms in the labor sector during the 1980s and 1990s are discussed in the following section.

Institutional Continuity during Neoliberal Reforms to the Labor Sector

The state-labor alliance that developed over the course of the 20th century is an example of an *informal* state institution that impacts the implementation of neoliberal reforms. Many scholars view the era of neoliberal reforms as a time when state-labor relations changed completely, yet the changes in the state-labor alliance have not been as severe as some scholars have suggested. Several *formal* state institutions also serve to perpetuate elements of previous state-labor relations, in contradiction to the aims of neoliberal reforms in the labor sector.

Informally institutionalized state-labor alliance

Since the power of labor alternated between offensive and defensive positions relative to the state, continuity in state-labor relations denotes some *variation* in labor

power.²⁰ Beginning in the 1980s, the era of neoliberal reforms created new pressures on the historic state-labor alliance (Collier 1992:7). During the era of reforms, labor power has declined. The number of strikes, for example, declined from 675 in 1982 to 39 in 1997 (Dillon 1998). This does not imply that workers are simply more satisfied in the late 1990s. Instead, strike notifications rarely end in actual strikes. For example, in the first 7 months of 1999, there were 3,512 strike notifications, but only 20 ended in actual strikes, according to the Mexican Secretary of Labor (Zuniga M.1999). Yet despite the decline in labor power, state-labor institutions reveal continuities that perpetuate elements of preexisting state-labor relations developed during the first half of the 20th century (Cornelius 1996, Middlebrook 1995, Zapata 1996).

Official labor unions remain important elements of continuity, despite the fact that the restructuring of Mexico's economy has had a negative impact on the power of labor in a variety of ways (Cornelius 1996; Middlebrook 1995; Zapata 1996). The system still provides both labor leaders and the governing elite with incentives to accommodate the demands of big business and maintain the status quo (Cornelius 1996; Middlebrook 1995). Trade unions and business chambers recognize their weakness relative to the state, yet at the same time contribute to the implementation of the state's objectives (Zapata 1996:131).

²⁰ This idea of change as continuity is a useful explanatory concept. For example, as Collier explains, Mexican 20th century history, is one not only of stability and continuity since the 1910-17 revolution, as is widely stated, but also of stability with change--both with institutional flexibility and adaptability and even with moments of dramatic change and challenges to the contours of the system. It is this combination of change and continuity, or even change qua continuity, which has made the Mexican picture so puzzling. (Collier 1992:2)

CTM leaders have not successfully protected their members during the era of neoliberal reforms (Warnock 1995). For example, in a labor dispute at Ford of Mexico in 1987, 5,000 workers were laid off, leading to a series of violent confrontations:

...[T]he Company shut its plant, laid off its 5,000 workers and declared the contract void. A new contract was signed with CTM leaders which cut wages by 50 percent, and eliminated seniority. When the plant reopened, only 3,800 workers were hired back. When the union local tried to choose its own leaders, it was confronted by the company, the police and the CTM. On January 8, 1990, CTM thugs attacked the workers in the plant. They even fired on them, killing one and wounding nine others. Ford workers occupied the plant. At the request of Ford of Mexico, the Salinas government used the police to remove the workers. (Warnock 1995:122-123)

(The issue of seniority will be discussed in greater detail below.) These types of horror stories regarding recent coercive measures by the CTM are all too common. In another, more recent example, workers at the Han Young plant in Tijuana formed an independent union in 1997. The Han Young company, the CROC (Revolutionary Confederation of Workers and Peasants) and the CTM (both government-controlled unions), and local labor authorities all attempted to impede the independent organizing effort, using tactics such as firings and threats of death and violence (La Botz 1998:3).

Nonetheless, unionized workers were at some advantage during the initial implementation of neoliberal reforms, due to previously arranged non-wage employee benefits:

The government affiliated unions have also helped to maintain political control by keeping lower-class demand making fragmented. From 1955 to about 1975, through a steady stream of government-orchestrated wage increases and expansions of non-wage benefits..., the government created a privileged elite of unionized workers within the urban working class. These nonwage benefits served as a cushion during the economic crisis of the 1980s, partially insulating workers from the ravages of high inflation and government austerity measures. (Cornelius 1996:82)

Thus despite the fact that labor's power has weakened, the state-labor alliance remains basically intact (Cornelius 1996; Vargas and Velasco 1999; Zapata 1996).

Breaking the state-labor alliance was considered by some Mexican groups a means to *advance* neoliberalism, whereas others considered it a means to *detain* neoliberal reforms (Collier 1992:8). The state-labor alliance has advanced the implementation of neoliberal reforms in the short-term, but has served in fundamental ways also to undermine other aspects of their long-term goals. State-affiliated unions can have a negative impact on economic development under excessive state control (de la Cruz 1995). The long-term picture is thus quite mixed.

As a result of the cooptation of the CTM, independent labor movements in search of greater power and autonomy have historically vied for space in the Mexican political system. The longest standing independent labor movement is known as the FAT (*Frente Auténtico del Trabajo*, or Authentic Labor Front). The most recent example of a significant independent union is the formation of the UNT (*Union Nacional de Trabajadores* or National Union of Workers). The UNT was founded on November 27, 1997, with the intention of providing an alternative to the CTM. As of November 1998, the UNT had around 1.5 million workers and represented about 150 separate unions, while the official unions claimed 10 million workers (Bierma 1998). Yet in its first year, the UNT did not gain any significant new membership ("National Union of Workers..." 1998:4).

Whether the UNT is able to provide a strong independent labor movement in Mexico remains to be seen, but it appears already to be threatened by cooptation. One year after its creation, the UNT had seen few successes:

...[T]he UNT has yet to establish a national headquarters, has not yet won inclusion in the government's tripartite boards, and has not succeeded in getting the congress to establish either the new salary board or the national registry of unions and contracts that it has advocated. ("National Union of Workers..." 1998:5)

Despite the independent formation of the UNT, it too may be susceptible to cooptation, providing further evidence of the continuities in the informal state-labor alliance.²¹

Francisco Hernandez Juarez is one of three co-presidents of the UNT. Hernandez is also a member of the PRI and was a friend of former President Salinas (Bierma 1998:5).

Growing links between the UNT and the PRI appear to be instrumental in reducing the momentum of the UNT labor movement. In the first year of operation, several alliances with the CTM began to spring up:

At times the UNT seems to move toward the right, back toward the government-controlled Congress of Labor (CT) and Confederation of Mexican Workers (CTM). For example, it joined with the PRI-government federations in creating a so-called 'Workers Bloc' to negotiate changes in the Federal Labor Law (LFT) with the government and the employers. More recently in the state of San Luis Potosi there have been efforts to form a 'Union Bloc' of the CTM, the CROM...and the UNT. These bureaucratic alliances so far do little to advance worker self-organization. ("National Union of Workers..." 1998:5)

The birth of the UNT exemplifies the capacity of labor to reorganize to fight against the loss of worker protections, whereas the move to coopt the UNT represents the attempt by the state to retain corporatist control over the labor sector. During 1999, the UNT has maintained its more radical stance. The state, in response, has continued to

²¹ The possibility of the UNT being coopted has led Mexico City economist Jonathan Heath to argue,

I think it's possible that the UNT could replace the CTM, but I'm not sure it would be a truly independent union...It could end up being very symbolic of the way things happen in Mexico. That is, the UNT might appear to be

block its access to key negotiations between the state and the official unions over the issue of wages. The Secretary of Labor has denied the UNT representation on the National Minimum Wage Commission (CNSM), while simultaneously (and for the first time) allowing unions loyal to the PRI a new role in the negotiations ("Government Denies..." 1999:11). CTM representatives on the tripartite commission (of government, business and labor) will now be joined by representatives of the Revolutionary Confederation of Workers and Peasants (CROC), the Revolutionary Confederation of Mexican Workers (CROM), the bank workers, the railroad workers, and the mining and metal workers (ibid. 11). The CNSM sets the minimum wage, which is used as the basis for all wages (e.g., jobs often offer to pay a certain multiple of the minimum wage). The UNT was denied representation since it is still not legally registered as a labor federation, but such registration depends upon state approval. The CNSM will hold office until June 30, 2003. Thus although the UNT was formed in 1997, its influence on wages has officially been delayed until at least six years later. Meanwhile, traditional unions maintain their institutionalized control. This most recent dance between labor and the PRI/ state reveals the continuities of the informally instituted state-labor alliance.

In summary, despite the era of neoliberal reforms, the informally instituted state-labor alliance has been weakened but has not entirely lost its earlier role. The power of labor has historically waxed and waned over the course of the 20th century. Scholars should resist the temptation to latch on to the current weaknesses of labor as evidence of an end to the state-labor alliance or the use of corporatist norms to maintain relations.

independent but could actually just be continued government control of the labor movement—with a new façade. (Quote cited in Bierma 1998:5.)

The informal institutions governing the state-labor alliance have served in some respects to advance the reforms but in other ways they have limited the transformation to more liberal relations with labor, and have served instead to perpetuate an authoritarian system. In the long-term a continued role for informally institutionalized state-labor relations is both possible and likely.

The Federal Labor Law: A formal state institution affecting the labor sector

Just as the informally institutionalized state-labor alliance reveals historical continuities that influence neoliberal reforms, formal state institutions are also significant during the reforms. Labor legislation also hinders neoliberal reforms in the labor sector (Bierma 1998; Cervantes 1999; Dávila Capelleja 1997; de la Cruz (1995); Pozas 1996; Vargas and Velasco 1999; Zapata 1996). The *Ley Federal de Trabajo* (LFT), or Federal Labor Law, dates back to 1931, and influences the outcomes of neoliberal reforms at the turn of the 21st century.

Historically, business groups have opposed much of this type of labor legislation on economic grounds. Beginning in 1989, the Mexican entrepreneurial sector sought to undo the regulations on the labor force through reforms of labor legislation (Pozas 1996:138). Yet even in 1994 when some neoliberal reforms desired by business were being implemented, most Mexican firms continued to take cues from traditional formal and informal state institutions, as the following example reveals.

The Salinas administration (1988-1994), worried about the potential political consequences of simultaneous drastic changes in labor legislation, did not change the LFT, and instead:

...the new conditions for labor relations were gradually inserted through a series of tripartite pacts and agreements. Thus, the National Agreement to Improve Quality and Productivity (ANEPc), signed in May of 1992, marked the take-off of a policy designed to eliminate obstacles to the flexible use of the labor force. (Pozas 1996:138)

In the 1993 tripartite pact, the established wage system was liberalized, allowing for productivity bonuses. Yet the implementation of this reform was hampered by a tendency to take cues from the negotiations achieved by the Congress of Work, an umbrella organization that represents the main Mexican unions (Pozas 1996:139).²² The Congress of Work usually negotiates wage adjustments with federal labor authorities and private-sector representatives (Pozas 1996:139). These wage system reforms did not have the desired effect of rewarding productivity. Instead, firms took their cues from the raises mandated for minimum wage employees:

The wage adjustment would now include a fixed wage increase of 5 percent, ...and a discretionary increase linked to productivity... [F]or minimum wage workers, the increase was fixed at 7 percent total... [M]ost Mexican firms took the 7 percent increase as the norm on which they based their contractual revision in 1994 and did not address the issue of productivity bonuses... [N]o one knew how to measure workers' productivity. (Pozas 1996:139)

Thus the wage reforms did not have the intended impact of creating productivity incentives because the traditional roles of federal labor authorities and the Congress of Work (controlled by state-affiliated unions) continued to be influential into the 1990s.

Labor legislation also affects other aspects of the implementation of neoliberal reforms in the labor sector. A cost-benefit gap exists between "the cost incurred by the employer in order to comply with labor and social security legislation, and the benefit

²² Also known as the Congress of Labor, as referred to above.

which the worker derives from this legislation” (Dávila 1997:293).²³ The cost-benefit gap influences economic development in Mexico:

This cost-benefit gap can constitute an important obstacle to formal sector employment growth and to the adequate functioning of social security institutions (for example, by giving incentives to underdeclaration of income and adverse selection in affiliation). The economic analysis of this phenomenon takes on great importance in the case of Mexico, because of the magnitude of the distortions brought about by the laws currently on the books, and because one of the principal goals of the...social security reform...was to reduce this cost-benefit gap. (Dávila 1997:293-294)

Thus despite many neoliberal reforms, labor legislation hinders the success of economic development in the era of neoliberal reforms. One way that the LFT hinders economic efficiency is through its establishment of “the payment of large indemnizations both in cases of unjustified dismissal of a worker and in cases in which a worker is given a just motive for resigning” (Dávila 1997:308). In practice, these payments of compensation represent overly high transaction costs such as legal insecurity and drawn out settlements (Dávila 1997:308).²⁴ These effects are harmful to the labor sector. Businesses are turning ever more to subcontractors to satisfy their need for labor (de la Cruz 1995). Greater insecurity for economic agents is a result of the continued influence of this legislation (Dávila 1997).

The LFT hinders economic development in other ways as well. Labor contracts, promotions based on seniority and certain other types of promotions also interfere sharply with economic development (de la Cruz 1995:16). For example, some labor contracts

²³ The same argument is attributed to Mexico City economist Jonathan Heath (see Bierma 1998:8).

²⁴ Dávila explains that “...the abundance of subjective terms in the language of the law provides a large margin of discretion to labor authorities. This in turn

have an “exclusion clause,” which “establishes that businesses can only contract syndicate members, who can be let go if they cease to be members” (de la Cruz 1995:16, citing Article 395 of the LFT).²⁵ Collective labor agreements shaped with the LFT also hinder neoliberal reforms by restricting the mobility of the workers between plants, departments, assembly lines, and limiting the assignment of activities distinct from those for which they were originally contracted (de la Cruz 1995:17, citing de la Garza 1991).

The use of seniority rather than capacity as a criterion for promotion is another way the LFT limits the success of neoliberal reforms in the labor sector. Promotions are still implemented first according to seniority, rather than, necessarily, to capacity:

...the most senior employee in each category should always be promoted, and in case there is more than one employee with the same seniority, the employee with the biggest familial burden must be promoted. If this is not the case, the employee who ‘demonstrates aptness for the employment’ will be promoted (LFT, Article 159). Even though the concept of promotion based on the criterion of seniority is beginning to be abandoned, in practice, it is still broadly applied. It is probable that this practice contributes to the slow growth of productivity... (de la Cruz 1995:16-17)

Although in theory the custom is beginning to be abandoned, the criterion of seniority may in practice contribute to the slow growth of productivity.

The LFT has repercussions on other neoliberal reforms as well. For example the Mexican electric sector will undergo privatization, but President Zedillo contends that the LFT will help protect workers from massive dismissals (Vargas and Velasco 1999).²⁶

encourages drawn out settlements and creates legal insecurity for economic agents” (Dávila 1997:308).

²⁵ De la Cruz indicates that this form of union influence has diminished over the years, as the exclusion clause has been eliminated from some negotiated agreements (de la Cruz 1995:16).

²⁶ Other institutions cited by President Zedillo as protecting workers include the Constitution and collective contracts (Vargas and Velasco 1999). Zedillo also reaffirmed

The Zedillo sexenio will end without reforms to the LFT, although they have been proposed for years (Cervantes 1999:8).²⁷

In sum, the LFT is a formal historical institution of the state that limits the success of neoliberal reforms in the labor sector. Productivity bonuses take their cues from the Congress of Work rather than being set according to real gains in production, and labor legislation creates a cost-benefit gap that limits formal employment growth. Large compensation payments for dismissal of workers are still required, representing high transaction costs to employers. Exclusion clauses in labor contracts prevent non-unionized workers from receiving contracts. In addition, collective labor agreements limit worker mobility and the use of seniority promotions slow productivity growth. The LFT continues to hinder the implementation of neoliberal reforms, and to provide uneven protections to Mexican workers.

Conclusion

This chapter has shown the ways various institutions of the state influence the implementation of neoliberal reforms. During the 1980s the implementation of the reforms went slowly. Corporatist norms, formal and informal pacts, and state institutions affecting the labor sector had limiting influences on the execution of the reforms. An informally institutionalized pact of domination maintains a significant role for the state in

the "solid alliance between the labor movement and the state," and "the struggle, patriotism and loyalty of the CTM workers," other indications that the informal pact of domination is still at work in 1999, and affects the outcome of neoliberal reforms (Vargas and Velasco 1999).

²⁷ The lack of progress is attributed to a combination of 1) indecision on the part of the government, 2) the frequent rotation of government employees in charge of labor, 3) the

the economy even in the era of neoliberal reforms. The unsuccessful reforms to the popular sector of the PRI and the 71 billion-dollar bank bailout are evidence of the continuation of informally institutionalized corporatist and clientelist ties between the state and key sectors. The formal economic solidarity pacts (the PSE and the PECEs) were conceived to advance neoliberal economic priorities, but politically and economically, they served to continue institutionalized forms of corporatist and clientelist interactions. Similarly, the CNSM excludes radical organizations from influencing the national minimum wage, while official unions continue to benefit from their traditional institutionalized corporatist position. These older corporatist institutions take on new guises and continue their historical roles, a fact that is not emphasized in the work of many scholars today.

Historical informal norms and values remain relevant at the close of the 20th century. Corporatist institutions remain important during the era of neoliberal reforms, creating outcomes that differ from neoliberal ideals. Mexico's social liberal state limits corporatist organizations but "[I]t does not...totally exclude them from decision making...[I]t is neoliberalism with a strong state—strong both politically and vis-à-vis labor. It liberalizes the economy but subordinates labor relations to its conception of economic development" (de la Garza 1994:201). The public naming of Mexican neoliberalism as "social liberalism" is evidence that the previous commitments of the state to society influence the way neoliberal reforms are presented in Mexico, as well as the way they come to pass.

weak interest by political parties, and 4) the lack of agreement between syndicates and their patrons (Cervantes 1999:8).

In a number of different ways, the LFT, a formal state institution, also hinders neoliberal reforms. It causes legal insecurity and thus increases the reliance on sub-contractors. Promotions based on seniority and exclusion clauses for non-unionists serve to limit neoliberal demands for efficiency, mobility and transparency in the labor sector. Reforms to wage legislation have not created the intended productivity incentives because of informally institutionalized means of setting wages. In addition, formal labor legislation continues to present a cost-benefit gap between the cost to the employer and the benefit to the worker. Although the influence of these informal and formal institutions is sometimes weak, on other occasions it is decidedly more substantial. Formal and informal institutional effects will be further examined in Chapter 6, with a focus on institutions affecting the agrarian sector.

CHAPTER 6

THE INSTITUTIONAL INFLUENCE ON NEOLIBERAL REFORMS IN THE AGRARIAN SECTOR

The previous chapter revealed a number of ways that state institutions influence the implementation of neoliberal reforms. This chapter adds to that body of evidence by focusing on the agrarian sector in particular. The agrarian sector has historically been very significant in Mexico. In 1921, 9.9 million of Mexico's 14,335,000 inhabitants lived in localities with less than 2,500 residents.¹ This represented 68.8 percent of the population. By 1995, only 26.5 percent of the population lived in such rural areas, yet the total number of rural inhabitants had grown to 24.2 million.² Thus, although the agrarian sector has declined in significance relative to urban sectors, it remains a very large and important part of Mexican society. As noted in Chapter 4, the peasant sector has historically been incorporated into the ruling regime, although its influence has declined in recent years.

Of the state institutions affecting the agrarian sector, none has been more significant than the *ejido*. As explained below, the ejido system prevented the private ownership idealized under neoliberalism, and as such, it has been the target of neoliberal reforms in the agrarian sector. Reforming the ejidal sector was undertaken in an effort to

¹ *Secretaría de la Reforma Agraria* (1998:120) citing the *IV Censo General de Población* (Fourth General Population Census).

² *Secretaría de la Reforma Agraria* (1998:121-122), citing the *IV Censo General de Población*.

demonstrate competitiveness and investment potential while the North American Free Trade Agreement (NAFTA) negotiations were underway.³ The reforms of the *ejidal* sector are an example of agrarian counter-reforms, which occurred in a number of Latin American countries during the 1980s and 1990s.⁴ This chapter begins with a comparative look at the impact of agrarian counter reforms elsewhere in Latin America before moving to an examination of the role of the ejido during the reforms in Mexico.

The role of the *Confederación Nacional Campesina* (National Peasants' Federation or CNC) is also extremely significant, because 21,454 agrarian groups (*"núcleos agrarios"* ⁵)—73.57 percent of the total number of agrarian groups—belong to the CNC.⁶ The *Procuraduría Agraria* (PA, known as the Office of the Attorney General for Agrarian Affairs or Office of the Agrarian General Counsel), is a prime example of the way that historically institutionalized roles for the state are reincarnated in new state institutions, even those created specifically to help ease the transition to neoliberalism.

³ NAFTA negotiations began in 1990 although the United States (U.S.) had been proposing them since the early 1980s (Barry 1995:65).

⁴ Agrarian reforms occurred first in Mexico and Bolivia and then spread through Latin America from the 1960s through the 1980s.

⁵ *"Núcleos agrarios"* is a catch-all phrase used by the National Agrarian Registry to refer to both ejidos and *comunidades agrarias* (agrarian communities). There are 26,796 ejidos (comprising 91.89 percent of the *núcleos agrarios*), and 2,366 agrarian communities (comprising the other 8.11 percent of *núcleos agrarios*)(*Secretaría de la Reforma Agraria* 1998:313, citing data from a survey by the *Instituto Nacional de Desarrollo Agraria* [INDA] [National Institute for Agrarian Development] conducted in 1996). Agrarian communities differ from ejidos in that they were indigenous communities that "had their landholdings legally recognized and titled under the 1942 agrarian reform law" (Stephen 1994:2). These land holdings have a longer cultural history than ejidos and in general use land differently than in ejidos.

⁶ *Secretaría de la Reforma Agraria* (1998:333), citing data from a survey by the *Instituto Nacional de Desarrollo Agraria* (INDA) conducted in 1996.

Similarly, the roles of PRONASOL and PROCAMPO (*Programa de Apoyo Directo al Campo* / Direct Rural Support Program) are studied both because of their size and because they were created to buffer the difficult transition to neoliberalism. The budget line used for PRONASOL has historically been used for poverty alleviation and development. PRONASOL allocated US\$2.2 billion to anti-poverty initiatives in 1993. Similarly, PROCAMPO distributed 3 million checks to producers in 1994 (Appendini 1998:33). PRONASOL and PROCAMPO were the most significant government support policies for the agrarian sector during the 1990s. This analysis of state institutions in the agrarian sector will focus on the extent to which they advanced, had little effect on, hindered or distorted neoliberal reforms.

Comparative Background: Agrarian Counter-Reform in Latin America

As noted above, the dismantling of the ejido is an example of agrarian counter-reform, and is intended to spur investment and competition in the countryside. Agrarian counter-reforms occurred in a number of Latin American countries during the 1980s and 1990s as a result of the implementation of neoliberal reforms. Neoliberal counter-reform policies aim to halt the expropriation of large land holdings, allow for the sale, renting, sharecropping or mortgaging of agrarian reform lands, and encourage private investment. They tend to reconcentrate lands among large-scale producers and can have a negative impact on social indicators for much of the population, yet spur growth in the agro-export sector (Jonakin 1996:1179).

Through a comparison of Chile and Nicaragua, this section will examine how state-initiated agricultural cooperatives influence subsequent counter-reforms in the

agrarian sector. Both Chile and Nicaragua experienced the parceling of collective agrarian reform lands in recent decades (Jonakin 1996:1179). This comparison will draw out the differences in the institutional heritages of agrarian reform in each country. It will suggest the ways neoliberal reforms can be influenced by institutional factors, and provide a context for the discussion of the Mexican counter-reform that follows.

Nicaragua: Sandinista Agricultural Cooperatives

Agrarian reforms broke up large haciendas in an effort to put land in the hands of producers and promote rural development by putting a larger percentage of land to use. Agrarian reform took place under the Sandinista Front of National Liberation (FSLN) in Nicaragua from 1979 to 1990 (Enriquez 1997). The Sandinista Agrarian Reform (SAR) set up Sandinista Agricultural Cooperatives (CAS), upon which land was worked collectively.

During the 1980s, CAS members came to prefer working the land on a household basis, and after the February 25, 1990 electoral defeat of the FSLN, parceling of CAS lands proceeded at an accelerated pace (Jonakin 1996:1180). Jonakin finds that after three years, only 40 percent of 53 surveyed CAS were still organized as collective enterprises, with the other 60 percent having parceled their lands (Jonakin 1996:1180). However, few of the families on parceled CAS land had obtained "fee-simple titles" which establish formal private ownership of the land area and make it freely transferable (Jonakin 1996:1180). By the summer of 1993, only around 6 percent of the membership of the surveyed CAS had sold their lands, accounting for 6.5 percent of the land area (Jonakin 1996:1186). Whereas 34 percent of (surveyed) parceled CAS had some members who had sold land, only 10 percent of (surveyed) collective CAS had some members who sold land

(Jonakin 1996:1186). Parceling the CAS land was seen as important, but titles that allowed for transfer of the land had *not* been obtained.

It is still early to tell what the long-term effects of the Nicaraguan counter-reform experience are. In January 1997, President Arnoldo Aleman, a member of the right-wing Liberal Alliance party, came to power and sought to return agrarian reform lands to their previous owners (Bower 1998:21). Former land-owners resurfaced from exile to make claims on their former properties, and violent confrontations began that culminated in a general strike. In an attempt to resolve this situation, in November 1997 a bill was passed that promised to give titles to agrarian reform recipients who had received less than 35 hectares⁷ (*Economist*, December 20, 1997:31). This represents a majority of the recipients. Those with larger properties that were “unjustly confiscated” have 15 years to pay for them or return them to their former owners (Bower 1998:21). Recipients of CAS lands have begun to receive titles as a means of rectifying the land disputes that continued under the Aleman administration.

The promise of titles may serve to significantly reduce sales of certain CAS lands. After poverty (cited in 64 percent of the cases), the second most cited explanation for land sales (occurring in 29 percent of the cases) was:

...the uncertainty of the property rights to the land. The replies that highlighted tenure uncertainty were depicted as either fear that the state would expropriate the land, or that the old owners would return and seek to reclaim the land. (Jonakin 1996:1187).

⁷ One hectare is equal to 2.471 acres.

With the promise of land titles, this uncertainty is reduced, and some sales of CAS lands thus may be avoided.⁸

In sum, although the institutional foundations of the CAS were only about a decade old, these collective state institutions did limit the impact of neoliberal reforms during the 1990s. Collective forms of land use played a role in maintaining the integrity of the sector that benefited from the SAR, and parceling and privatizing land ownership was not much of a priority for many of the peasant beneficiaries. The record from the early- and mid-1990s suggests that the state institutions put in place by the FSLN influenced the progress of neoliberal reforms in the Nicaraguan countryside. At the turn of the 21st century, with the provision of land titles to agrarian reform recipients, it is uncertain whether the institutional heritage of the CAS will strongly differentiate development of these lands from that of similar lands that were not in the reform sector. The record from the short-term, at least, suggests that it will.

Chile: From Asentamientos to Parcelas

In Chile, almost 10 million hectares were expropriated during ambitious agrarian reforms initiated in 1967 and accelerated during 1970-1973 (Larraín B. 1994:113). These reforms created *asentamientos*, a type of cooperative production system (Silva 1991:15). The agrarian reforms integrated campesinos into the national political system and stimulated,

⁸ In 1997, 3,900 land titles were distributed and an additional 6,000 were to be distributed in 1998 (Lopez G. 1998). As of 1988, a total of 47,065 families occupied CAS lands (Enriquez 1997:112). Although previous owners are still fighting to recover their lands, the Nicaraguan Supreme Court has suspended the return of properties confiscated during the Sandinista government (Ibarra 1998).

...the development of horizontal mechanisms of collaboration between the beneficiaries. By destroying rural isolation, the campesinos would then understand that they formed part of a broad social sector and that through national confederations they could fight for their common interests against those of the landholding sector. In sum, there was an attempt to create a consciousness of their *campesino condition*. (Silva 1991:21)

This dynamic was sharply reversed under the military regime of General Augusto Pinochet in 1973, as agrarian counter-reform began and 30 percent of the lands were returned to their former owners (Carter et al. 1996:39). Following neoliberal ideals, the policy of dismantling of asentamientos was pursued between 1973 and 1979 in order to privilege private entrepreneurs as well as to expel radical campesinos from agriculture (Silva 1991:21). Eleven percent of asentamiento land remained in asentamiento cooperatives but forty-one percent of the asentamiento lands were allocated to individual beneficiaries as private plots or *parcelas* by 1979 (Silva 1991:24). This provided 36,533 families with *parcelas* averaging 10 basic irrigated hectares (BIH), but excluded 50.2 percent of the campesinos who had benefited from agrarian reform (Silva 1991:24).

Agrarian counter-reform in Chile thus involved both dismantling the asentamientos that had been institutionalized during a 6-year period, and an overt undoing of the informal norms and values that Chilean campesinos had embraced, such as peasant unionism or solidarity about their “campesino condition.” As Kay explains,

The ‘savage capitalism’ of the Pinochet years...made it possible greatly to accelerate the capitalist transformation in the Chilean countryside, as all social and political obstacles which could have slowed down or hindered such a process were violently removed. (Kay 1993:25)

Campesino solidarity was “fatally undermined” by the struggle to qualify for receipt of a *parcela*, a process tainted by anonymous informers and systemic abuse, including the use of the system to settle old personal or political disputes (Silva 1991:21, 26). The policy of

parceling agrarian reform lands sought in theory (and even more so, in practice) to undo the cooperative institutions that had been set in place during 1967-1973.

The rate of subsequent sales of parcelas in Chile was extremely high:

The number of parcels sold in the short period since 1973 has been staggering, especially considering that agricultural land markets in other countries (including Chile before 1975) have been fairly inactive. A study conducted in 1979 by the Instituto de Capacitacion e Investigacion en Reforma Agraria (ICIRA) indicated that about 15 percent of the land reform assignees had sold their land by June 1978. Rough estimates suggest that at least 30 percent of the parcelas had been sold by December 1979 (Jarvis 1981) and about 40 percent by the end of 1986 (Gomez and Echeñique 1988). A recent study on parcelero land sales estimates that at the national level, 57 percent of the original 48,000 beneficiaries⁹ have sold their land (Echeñique and Rolando 1991). (Carter et al. 1996:39)

Both linear and logarithmic trendlines¹⁰ based on these estimates of sales of parcelas suggest that the remainder will be sold by the year 2005.

The sales of parcelas are differentiated regionally according to differences in land use (Carter et al. 1996). Sales were more prevalent in the northern Central Valley, where production for export crops was the most profitable, and less common in areas better suited to growing traditional crops (the policultura, or mixed-crop zone) (Carter et al. 1996:40). The decision to sell or keep one's parcela thus seems most dependent upon its geographical location and the concomitant production in the region. Prior identification

⁹ Silva explains that around 90,000 parcels were originally proposed, but that the goal was later reduced to 45,000 parcels and in the end 36,533 parcels were "effectively allotted" (Silva 1991:25).

¹⁰ Linear trendlines reveal the potential outcome if sales continue at the average rate of sales to date. Logarithmic trendlines also reveal a potential outcome, but are adjusted to take into consideration any acceleration or deceleration in sales rates, adjusting the predicted outcome accordingly. In the Chilean case, the rate of sales appears to be very constant, with no significant acceleration or deceleration.

with a particular asentamiento and the benefits associated with it appear to have had no enduring impact on the sector.

The absence of institutional continuity in this case was caused by two main factors. First, the asentamientos did not have much of a history. The first were initiated in 1967, (with the great majority created between 1970 and 1973), and the dismantling began in 1973. Second, the informal norms and values that bolstered identification with asentamientos were quickly unraveled by the state-orchestrated struggle for parcelas. In sum, the rate of parcela sales appears to be linear and largely dependent on geographical location, rather than influenced by the cooperative institutions set in place during agrarian reform.

Comparative Observations on Institutional Heritage during Agrarian Counter-Reforms

Both Chile and Nicaragua experienced agrarian reform under a socialist government followed by counter-reform under governments following neoliberal tenets. The differences in outcomes are influenced by the political context of each. The Nicaraguan counter-reform occurred in a context of political liberalization, whereas the Chilean counter-reform transpired in a context of authoritarianism. The Nicaraguan example reveals the effects of the previous cooperative institutions on the use of those lands today, a decade after the end of the reforms. The Chilean example, on the other hand, reveals a different outcome. The combination of the short institutional history of the agrarian reform coupled with the overt goal of dismantling the cooperatives and atomizing former members have caused land use and land sales to depend almost exclusively on their potential for export production.

The differences between these two cases suggest that institutions created during the agrarian reform years (such as the *asentamientos* and CAS lands) can affect the pace of privatizations during neoliberal reforms. When extreme measures are taken to undo the reforms and/or the institutions of the reform had only a brief history (as in Chile), the institutional structures are essentially meaningless. Yet if the cooperatives are merely, for example, abandoned by the state (as in Nicaragua), they will continue to affect the course of land use and development. The Mexican case presented below reveals the impact of agrarian reform institutions during the implementation of neoliberal counter-reforms and discusses the potential long-term consequences. Like Nicaragua, the Mexican counter-reforms are being implemented in a political context of liberalization, suggesting that institutional factors may retain significance.

The Ejido and Ejidal Reforms

Historical Role of the Ejido

A formal institution of the Mexican state with unmatched significance during the implementation of neoliberal reforms in the agrarian sector is the *ejido*, introduced briefly in the fourth chapter. *Ejid*os were created to provide agrarian reform beneficiaries with usufruct rights to land. Modern *ejidos* vary greatly in territorial size, composition of membership, wealth, production and history. *Ejid*os are:

groups of twenty or more farmers (*ejidatarios*) who organized to petition for, receive, and work land redistributed during the agrarian reform. In most *ejidos*, arable land plots were allocated to farmers who cultivate them individually. Pasture, forest, and other lands not apt for cultivation are common lands of the *ejido*. Few *ejidos* work arable land communally. (DeWalt and Rees 1994:1, fn.1)

The significance of the role of the ejido in modern Mexican history should not be underestimated. Ejidos embody the special relationship between *campesinos* and the state and have made up a large percentage of Mexico's arable land. Data on exactly what percentage of the total land area is ejidal, as well as the total number of ejidos in existence, varies somewhat. Gareth Jones maintains that "29,951 ejidos representing over 55 per cent of the Mexican land area have been created" (Jones 1996:188). Thiesenhusen refers to around 28,000 ejidos, and other data (shown in Table Three) indicates that only around 40% of the total Mexican land area was ejidal (see Randall, 1996b:6; Thiesenhusen 1996:35).

Table Three: Land Use and Tenure by General Type, 1988

General Type	Percentage	Area (millions of hectares)
Livestock grazing	57.6	112.8
Private property	(32.6)	(63.8)
Ejidos	(25.0)	(49.0)
Agriculture	12.6	24.7
Private	(3.2)	(6.3)
Ejidos	(9.4)	(18.4)
Forestry	12.3	24.1
Private	(4.7)	(9.2)
Ejidos	(7.6)	(14.9)
Federal government land	6.2	12.1
Urban real estate	2.2	4.3
Other uses	9.4	18.4
Total area	100.3	196.4

Source: Randall 1996b:6

In any case, the amount of land held ejidally was and is quite significant, and its political role has been no less important. The ejido was conceived as “a compromise to serve simultaneously as an instrument of political control, a means for the organization of production, and a body of peasant representation” (de Janvry, Gordillo and Sadoulet 1997:1). The connections between ejidos and the PRI¹¹/ state grew over many decades, especially through the affiliation of millions of ejidatarios to the CNC. In exchange for relative political passivity, ejidatarios historically had some influence over the PRI/ state when compared with non-incorporated groups. The state had deep connections with the ejido:

The state established a mechanism to control the rural sector by weaving together the affairs of the ejidos' executive committees (*comisariados ejidales*) with various state institutions: intermediary institutions such as the Regional Peasant Committees, the State League of Agrarian Communities, and the National Executive Committee of the National Peasants Confederation (CNC). It is through this hierarchical network of institutions that the ejido came to play the role of an organization for political control. (de Janvry, Gordillo and Sadoulet 1997:1)

Thus the ejido has historically been a very important institution of the Mexican PRI/state, and its role in the political economy of Mexico was far from the ideals of neoliberalism. As such, an examination of its impact on the implementation of neoliberal reforms is quite relevant to this study.

Reasons for the Proposed Dismantling of the Ejido

A number of national and international influences resulted in the 1991 decision to disband the ejido. It had never blossomed into the solution for peasant well-being

¹¹ *Partido Revolucionario Institucional* or Institutional Revolutionary Party.

suggested by the Constitution or envisioned by the reformist President Lázaro Cárdenas (1934-40). Much ejidal land was of a very poor quality to begin with, and as years passed, the size of plots tended by individual ejidatarios shrank due to the division of plots among successive generations of children. The pace of land distribution under the agrarian reform always lagged behind applications for ejidal lands, and applications for lands are still pending today. Ejidal production was fraught with difficulties, due in large part to the lack of credit available to ejidatarios. Ejidatarios had difficulties in obtaining agricultural credit for production:

...since they had no title, they could not borrow from commercial establishments, a defect only partially corrected by the founding of the undercapitalized *Banco Nacional de Crédito Rural* (now called BANRURAL), meant to loan primarily to ejidatarios....Only about 40 percent of ejidatarios received any credit at all (and many of those received too little to be very useful)... (Thiesenhusen 1996:42)

This lack of credit provoked ejidatarios to seek other means of profiting from their lands. Illegal measures became commonplace, as ejidatarios rented or sold their lands to others and sought employment as wage laborers. Other ejidatarios or individuals owning the remnants of haciendas bought the lands illegally and used them for larger-scale production (Thiesenhusen 1996:42).

By the 1980s, ejidal agriculture was not competitive on a global scale. Many neoliberal critics called for a change in the agrarian situation. By the early 1990s, international forces became influential in prompting the Mexican government to reform its land tenure. NAFTA negotiations began and liberalizing and privatizing land tenure became a priority during debates over the Mexican economy.

In order to demonstrate his commitment to modernizing the Mexican countryside, President Salinas de Gortari proposed a number of reforms that were a policy compromise between modernizing technocrats and the *campesinista* (peasant) factions (Cornelius and Mhyre 1998:4-7). The modernizing technocrats sought to “increase the export potential of those sectors of agriculture where Mexico has comparative advantages, and whose opportunities would be expanded under ... (NAFTA)” (Cornelius and Mhyre 1998:5). Peasant factions sought to retain privileges for the sector. On November 7, 1991, as NAFTA negotiations continued, Salinas announced a proposal to amend Article 27 of the Mexican Constitution, thereby making it possible to privatize ejido land. The package of reforms that resulted includes three elements:

The reform of Article 27 is a generic term to describe three related pieces of legislation. These are the new Article 27 of the Mexican Constitution (*Diario Oficial*, 6 January 1992), the new Agrarian Law (*Diario Oficial*, 26 February 1992, hereafter *Ley Agraria*) and the new Agrarian Law Regulations (*Diario Oficial*, 6 January 1993, *Reglamento de la Ley Agraria en Materia de Certificación de Derechos Ejidales y Titulación de Solares...*). (Jones 1996:189, italics added)

This set of reforms has been called “the most far-reaching institutional change for rural Mexico since the Revolution” (DeWalt and Rees 1994:1). The debate and discussion these reforms generated, both among scholars internationally and in the Mexican countryside, was enormous, and their expected impact was profound. Two prominent scholars postulate, for example,

Both because of the great size of the ejido sector...and because of the close relationship that often exists in practice between ejidos and private farms, the reforms of Article 27 may have a more far-reaching and enduring impact than any other of the economic reforms introduced in Mexico by technocratic governments since 1982. (Cornelius and Mhyre 1998:1)

The ultimate goal of this set of neoliberal reforms was to increase capital in the countryside. In August 1992, NAFTA was signed, and it later went into effect on January 1, 1994.¹² The ejido reforms fit into a package of neoliberal reforms planned for the Mexican countryside in the early 1990s. These reforms were intended to cause a series of interrelated changes, with the overarching goal of increasing productivity and efficiency:

The rhetoric of neoliberal policies aimed at the agricultural sector involves arguments for deregulating and expanding “free” markets, enhancing tenure security, attracting investment, eliminating state paternalism, and reducing the state’s role in the countryside. These measures are supposed to increase productivity and efficiency. Ejido reform fits into this vision based on the following line of reasoning: certifying ejido land and establishing the juridical framework for privatization would enhance tenure security, which would attract private investment. Greater tenure security would facilitate producers’ access to credit. These infusions of capital would increase productivity and efficiency as producers were increasingly driven by the logic of unregulated markets. Producers who were unable to gain access to capital would rent or sell their parcels, thus putting the land to a more efficient use. (Goldring 1998:146)

How closely did the actual implementation of neoliberal reforms match these neoliberal plans? Many researchers have been curious about the ultimate effect of these significant reforms. In order to closely examine and document these anticipated changes, the Center for U.S.—Mexican Studies at the University of California at San Diego launched the multidisciplinary Ejido Reform Research Project in June 1992. This four-year collaborative research project aimed to document the short-term impacts of ejido reform and other policies affecting the rural sector (Cornelius and Myhre 1998:11). What was the outcome of this significant research project? There are important regional

¹² For a discussion of the status of NAFTA, see Rich and de los Reyes, eds., NAFTA Revisited: Expectations and Realities (1997).

differences that make generalization difficult. Nonetheless, the radical changes expected by some analysts have, for the most part, not been achieved.

The Current Status of the Reforms: The Implementation of PROCEDE and Private Sector-Ejido Joint Ventures

The results of the research conducted during 1992-1996 by the participants in the Ejido Reform Research Project are somewhat surprising to many analysts:

...[F]ew of the initial expectations concerning reform of the ejido sector have been realized. Proponents of the 1992 reform measures argued that enhanced land tenure security would lead rapidly to new private investment and technological modernization in the ejido sector, thus raising agricultural productivity. For the most part, this has not yet occurred. Indeed, few of the joint production and marketing ventures that government planners predicted private firms would establish with ejidos have actually materialized...Land titling has proceeded slowly in most areas, and ejidatarios whose land rights have been certified show continued reluctance to sell their land, perceiving it as a source of financial security. These conclusions point toward a more gradual and regionally varied—though still far-reaching—process of rural transformation than most observers anticipated just a few years ago. (Cornelius and Myhre 1998:18-19)

Does recent evidence continue to support these conclusions? A review of current official data of the status of the reforms, the work of scholars who participated in the Ejido Reform Research Project, as well as the work of other scholars working on similar issues, will shed light on this issue. This examination will highlight the variety of ways through which ejidos impact the implementation of neoliberal reforms.

The attempt to certify ejido lands is a process involving a series of steps.¹³ The government program designed to distribute land certificates is called PROCEDE

¹³ See “*Procedimiento General Operativo*,” Mexico, *Sector Agrario* (available via the Internet at <http://www.sra.gob.mx/FSRA213.htm>) for a complete description of the processes involved in each step. The steps include: 1. Establishment of coverage; 2. Document validation and incorporation into the program; 3. Coordination and

(*Programa de Certificación de Derechos Ejidales y Titulación de Solares Urbanos* or Program for Certification of Ejido Land Rights and the Titling of Urban House Plots).

PROCEDE is executed by a number of institutions, including the *Secretaría de la Reforma Agraria* (SRA or Ministry of Agrarian Reform), the *Procuraduría Agraria* (PA, known as the Office of the Attorney General for Agrarian Affairs or Office of the Agrarian General Counsel), the *Instituto Nacional de Estadística, Geografía e Informática* (INEGI or National Institute of Statistics, Geography and Information) and the *Registro Agrario Nacional* (RAN or National Agrarian Registry). Each of these institutions plays a specific role in different parts of what the government portrays as a series of ten steps.

Among these ten steps are three required meetings of the ejido assembly. This process of privatization requires different levels of participation at each incremental step:

Ejidatarios can obtain individual certificates of title to their land parcels if their ejido agrees to participate in... (PROCEDE). Participation in the titling program requires an initial meeting of the ejido assembly, attended by half of the ejido members, plus one, to call for a vote for or against joining PROCEDE. At a second meeting to take the vote, there is no legal quorum of ejido members. A collective decision to participate in the land-titling program may or may not lead to a future decision to privatize or disband the ejido, which can happen only at the end of the titling process. (Cornelius and Myhre 1998:2-3)

Initial involvement with PROCEDE does not necessarily lead to eventual land certification. Furthermore, completion of PROCEDE only makes it possible to *subsequently* privatize the land. Ejidatarios may exchange their land certificates for land titles with the approval of the ejido assembly (Stephen 1994:6). At each step along this process of titling, delays caused by institutional influences are possible. Indeed, difficulties

“concertation” (the process of coming to an agreement or compromise); 4. Information and consent assembly; 5. Works of the auxiliary commission, PA and INEGI; 6. Informing assembly of the auxiliary commission; 7. Measuring and the generation of maps; 8. Assembly delimiting, designating and assigning lands; 9. Inscription of acts and plans; 10. Delivery of documents to the beneficiaries.

in reaching agreement during different phases may also result in ejidos essentially abandoning the process altogether. In cases where this occurs, the institutionalized ejido proves resilient in the face of its neoliberal alternative (titled lands). To determine how significant these effects are, a number of sources are used.

This examination of the ejidal land certification process begins with a review of PROCEDE statistics published over various years by the agrarian sector. Table Four presents data on the number and percentage of ejidos and agrarian communities participating in PROCEDE, as well as the number and percentage of these agrarian groups eventually certified through PROCEDE by the end of each year. Figure One presents this same data in a more visual format.

PROCEDE began in late 1992, and was expected to *complete* the titling process prior to the end of 1994 (Appendini 1998:31). Yet by the end of 1994, only 5,994 ejidos (22 percent of the total) had completed the certification process (PROCEDE data from the *Registro Agrario Nacional*¹⁴). Thus the program has been operating far behind the intended schedule of completion virtually since its inception. The slow progress towards completion of the titling process is further highlighted when considering that the Procuraduría Agraria chose to target the ejidos that would be easiest to process first (Baitenmann 1998:118). Initially, PROCEDE focused attention on:

...the more rural ejidos, ejidos with less than one thousand members, and those whose topography would not be a major technical obstacle. In the end, however, ...few guidelines were followed.... Procuraduría field staff approached any ejido that had relatively few smoldering internal conflicts and, more importantly, no unresolved legal or administrative matters. (Baitenmann 1998:118)

¹⁴ Data are from the *Dirección General de Titulación y Control Documental*, sent to the author from the RAN in June 1999.

Table Four: Total Number of Ejidos (and Agrarian Communities) ¹⁵ Participating in and Certified through PROCEDÉ, the Program for Certification of Ejido Land Rights and the Titling of Urban House Plots, 1993-1999¹⁶

Year	Total Number ^f	Interviewed and Diagnosed	Percent of Total	Number Certified ^f	Percent
1993	27,343	3,809 a	14 a	1,268	4.6
1994	27,302	19,559 c	72 c, b	5,994	22.0
1995	27,218	@19,000 d or 19,559 c	70 d, b or 72 c, b	9,935	36.5
1996	27,218	22,377 a, d or 22,936 a, c	82 a, d, b or 84 a, c, b	13,019	47.8
1997	27,218	27,144 b	100 b	15,892	58.4
1998	29,474	27,351	92.8 g ¹⁷	18,303	62.1
1999	29,701	N/ A	N/ A	20,000 ¹⁸	67.3

Sources:

- a *Procuraduría Agraria* "Procede, Cierre 1996 y Programa Operativo 1997," *Avance Acumulado 1993-1996*.
- b *Sector Agrario*
- c (Data are for November, 1994) Jones and Ward, 1998: 254.
- d "Firma del Convenio de Desarrollo Social"
- e *Sector Agrario*, December 31, 1998, "Actualización Anual del PROCEDÉ" (web page: www.sra.gob.mx).
- f *Registro Agrario Nacional, Dirección General de Titulación y Control Documental, PROCEDÉ*, personal communication, June 11, 1999.
- g. *Secretaría de la Reforma Agraria* 1998:106.

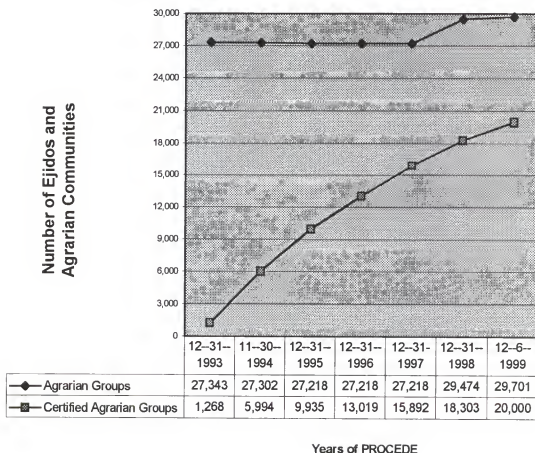
¹⁵ Data from 1993-1997 includes only ejidos, whereas data from 1998-1999 includes ejidos and agrarian communities.

¹⁶ Since data come from different sources, discrepancies sometimes occur. Sources are included so each reader can evaluate the data personally.

¹⁷ See also footnote 15 above.

¹⁸ Data for 1999 are through December 6, 1999 ("Comunicado No. 1895" 1999:1).

Figure One: Total Number of Agrarian Groups and Certified Agrarian Groups, December 1993 - December 1999



Thus an examination of the progress of neoliberal policies in the countryside must take into consideration the PROCEDE strategy of processing the easiest ejidos first. It stands to reason that the ejidos that remain to be titled will probably take longer to process than the ones processed thus far. So how does the current trajectory of completion compare to the original policy plans? As stated above, the original expectation was that the process would be complete by the end of 1994, but the date for the completion of PROCEDE has been revised as delays occurred.

By December 1997, the Secretaria de la Reforma Agraria maintained that substantial progress had been made towards the goal of concluding the regularization of land ownership by the end of the year 2,000 ("A New Stage in the Mexican Agrarian Reform," 1997:2). Yet data show that only 20,000 ejidos and agrarian communities were certified by December 6th, 1999 ("*Comunicado No. 1895*" 1999:1). This still only represents 67.3 percent of total viable ejidos and communities.

Figure Two shows forecasted trends in the completion of PROCEDE. The trajectory of the rate of completion does not suggest that the certification of all ejidos will be complete by the end of 2000 (a national election year). Instead, if the process continues at the average rate since 1993, it could be complete by 2002. The linear trendline shows this potential outcome.¹⁹

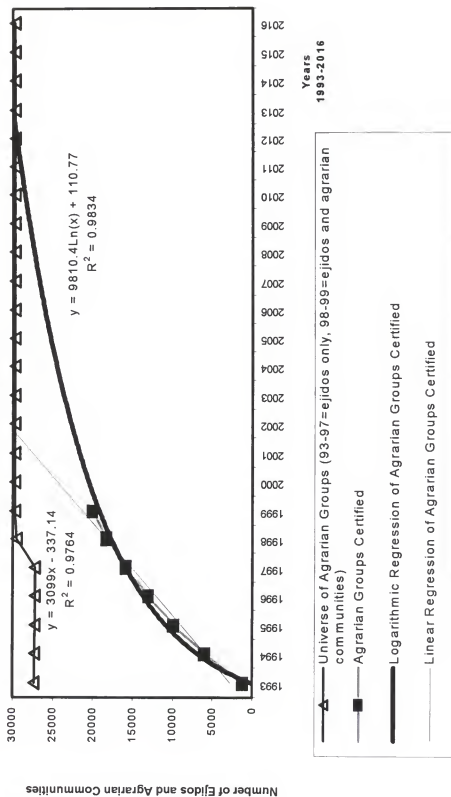
Yet the evidence suggests a different outlook: it appears that the process of titling is decelerating. The logarithmic trendline shows an anticipated completion date around that 2013 if the recorded rate of slowdown in the completion of titling is taken into account.²⁰ Both the linear and the logarithmic trendlines are presented in the same figure in order to facilitate their comparison. The logarithmic trendline fits the data better.²¹ Another scenario is slowly becoming apparent: the process may simply stall out

¹⁹ This linear trendline predicts future outcomes using data on the average change per year. This would be the best predictor if the process will be the same in the future as it has been in the past.

²⁰ The logarithmic trendline does a better job than the linear trendline in revealing the potential future outcome if the data indicate a process that is accelerating or decelerating. The logarithmic trendline calculates the potential future using information on the rate of change.

²¹ The logarithmic trendline has an R-squared value of 0.9834 as opposed to the R-squared value of 0.9764 for the linear trendline.

Figure Two: Universe of Ejidos and Agrarian Communities Certified and Titled by PROCEDE 1993-1999 with Predictions through 2016



completely in certain ejidos. The ejido is limiting the progress of PROCEDURE, as the following discussion demonstrates.

Information about the status of the reforms is taken from various tables in a publication by the *Secretaría de la Reforma Agraria* (1998), using data originally from the Procuraduría Agraria. The data do not always total precisely, in part because the source data sets are for different months. Nonetheless, they provide a reliable picture of the PROCEDURE process. As of December 31, 1997, 11,326 agrarian groups had not received land titles.²² These untitled groups can be divided into two broad categories: (1) those that had an unfavorable initial diagnosis (3,704, of which 3,674 were ejidos)²³ and had not entered PROCEDURE, and (2) those that had had problems within PROCEDURE (7,858).²⁴ Each of these categories reveals ways that the ejido as an institution hinders the implementation of neoliberal reforms.

The first phase of PROCEDURE consists of a diagnosis resulting in a categorization as "favorable" or "unfavorable." The diagnosis identifies whether it is "possible to advance the certification of rights" (i.e., whether it is possible to carry out PROCEDURE).²⁵ Factors that cause an unfavorable diagnosis include continued agrarian reform and its related administrative delays as well as significant internal or external conflicts.²⁶

²² Data in Table Three show 27,218 total ejidos, of which only 15,892 are certified. Therefore, 11,326 were not certified. Data are from December 31, 1997.

²³ *Secretaría de la Reforma Agraria* (1998:337) using data from the *Procuraduría Agraria*. Data are from January 6, 1998.

²⁴ *Secretaría de la Reforma Agraria* (1998:109) using data from the *Procuraduría Agraria*. Data are from December 31, 1997.

²⁵ *Secretaría de la Reforma Agraria* 1998:105.

²⁶ *Secretaría de la Reforma Agraria* 1998:106.

Agrarian reform was the process that created ejidos in the first place, and even after PROCEDURE was initiated, agrarian reform continued to form new ejidos. The process continued even after the government had reversed its national goals. Inherent contradictions characterize this process of “ending agrarian reform by redistributing more land” (Stephen 1998a:19). Officially, agrarian reform concluded on August 21, 1997, but it continues to affect the country.²⁷ In early 1999, four thousand lawsuits related to the reform were still in process.²⁸

The citizens behind these lawsuits continue to seek the benefits associated with becoming ejidatarios. As of July 1996, the coordinator for the Ministry of Agrarian Reform in Chiapas forecast the provision of 240,000 hectares of land to 58,000 peasants in Chiapas (Stephen 1998a:19). If realized, this process is “certainly more important to agrarian politics in Chiapas than is PROCEDURE, which has given use-rights certificates to 29,746 ejidatarios” in Chiapas (Stephen 1998a:20). In Chiapas, the perpetuation of the ejido is having a greater impact than the neoliberal reform provision of private land titles. The perpetuation of the agrarian reform continues to occupy state resources that might otherwise be directed toward PROCEDURE. This is another example of an institutionalized procedure from earlier decades continuing to have an effect on development despite the government’s explicit rejection of its utility and efficacy in the neoliberal 1990s.

“Grave internal conflicts” and “boundary conflicts” are other reasons that land titling and privatizations are proceeding slowly.²⁹ These are caused by a variety of

²⁷ *Secretaría de la Reforma Agraria* 1998:101.

²⁸ *Secretaría de la Reforma Agraria* 1998:101.

²⁹ *Secretaría de la Reforma Agraria* 1998:105.

issues and are especially pronounced in regions with a large indigenous population.³⁰ Many of these internal "conflicts" are the result of years of uncertain or unresolved use rights among ejidatarios or *comuneros* (those living in agrarian communities). These "conflicts" characterize many ejidos, and PROCEDURE has brought many old ones back to light that had in some ways been tolerated under the ejido system. For example, indigenous communities who have worked land communally for many generations have institutionalized forms of land use that make completion of PROCEDURE undesirable (Stephen 1994). The head of the Oaxaca regional office of the Procuraduría Agraria, reveals why one particular agrarian community decided to stick with the status quo:

One Mixe³¹ community came back to us with an official document from their assembly in which they voted against entering...PROCEDURE...They said that the quality of their land varied considerably so that they couldn't assign individual parcels. (Stephen, citing PA official, 1994:10)

Historically, the land use patterns in the region included crop rotation and some forms of communal farming (Stephen 1994:10). This example provides insight into how the institutionalized norms for production within state-created institutions (agrarian communities) hinder privatization during the era of neoliberal reforms. The special circumstances of agrarian communities reveal how their historically institutionalized land use patterns hinder the progress of PROCEDURE.

Aside from the groups disqualified from PROCEDURE, the most recent data available show that 7,858 agrarian groups have had problems with PROCEDURE.³² This is

³⁰ *Secretaría de la Reforma Agraria* 1998:101.

³¹ The Mixe are indigenous to this region in southern Mexico.

³² *Secretaría de la Reforma Agraria* 1998:109 using data from the *Procuraduría Agraria*. Data are for December 31, 1997.

29 percent of the total number of agrarian groups, and represents a large part of the 11,326 uncertified groups. Why do agrarian groups not complete PROCEDURE? The impact of the ejido itself provides a great part of the answer.

Approximately one-third of the ejidos with problems with PROCEDURE (a total of 2,579 ejidos or 32.8% of ejidos having problems) have rejected PROCEDURE outright.³³ Many of these ejidatarios reject PROCEDURE because of the historical role of the ejido. Ejido membership is desirable to both ejidatarios and ejido leaders:

Privatization would bring an end to many of the meanings and benefits associated with ejido rights and membership. Ejidatarios would lose an element of their history and identity, their tax-free status, lot distributions, and dividends... Perhaps more importantly, leaders or aspiring leaders would lose important opportunities for personal enrichment, mobility, and power. (Goldring 1998:169)

Ejidatarios and ejido leaders benefit both directly and indirectly from their historical relationships with the Mexican state. Many ejidatarios reject the neoliberal PROCEDURE privatization plan because of these institutionalized benefits of ejido membership.

The benefits of ejido membership may be highlighted by distinguishing between ejidos and property owning communities. Even in communities that share physical characteristics, sharp contrasts exist between community ideologies (Brown 1997:104). For example, in one typical community of property owning individuals, the ideology is entrepreneurial, and its residents categorize themselves into "three classes of people," whereas in one typical ejido, the ideology is egalitarian, and its residents explain that they "are all poor peasants" (Brown 1997:107). Greater community solidarity and fewer social problems characterized the ejidal community when compared to the community of

³³ *Secretaría de la Reforma Agraria* (1998:109) using data from the *Procuraduría Agraria*.

property owning individuals (Brown 1997:108). The differences between these two communities exemplify why many ejidatarios attach special significance to ejido membership. The ejido as an institution serves to perpetuate social relations desired by many ejidatarios. These institutionalized characteristics of ejidos influence ejidatarios' decisions to disband or to maintain the status of their ejido.

Other reasons related to the ejido and the historically institutionalized commitment of the state to agrarian reform interfere with the success of PROCEDURE. Administrative delays stemming from agrarian reform prevent 1,697 agrarian groups from completing PROCEDURE.³⁴ Thus the state's populist agrarian reform commitment to create ejidos/ agrarian communities now hinders its present policies. Controversies with the owners of lands adjacent to the ejido or agrarian community hinder another 1,591 agrarian groups' completion of PROCEDURE.³⁵ These controversies stemmed in part from the uncertainties of land tenure that characterized many agrarian groups.

A lack of trust over the socioeconomic and political aspects of PROCEDURE affects another 239 groups, which is very clear-cut evidence of preferring the institutionalized ejido to the neoliberal alternative.³⁶ Conflicts between ejidal leadership and ejidatarios have hindered PROCEDURE in 164 agrarian groups.³⁷ These conflicts often stem from a desire by the leadership to maintain their control over the distribution of resources, or a desire by ejidatarios to retain the benefits of ejidal membership. A variety of other causes

³⁴ *Secretaría de la Reforma Agraria* 1998:109.

³⁵ *Secretaría de la Reforma Agraria* 1998:109.

³⁶ *Secretaría de la Reforma Agraria* 1998:109.

³⁷ *Secretaría de la Reforma Agraria* 1998:109.

affect another 1,588 agrarian groups.³⁸ For example, in Chiapas the Zapatistas³⁹ invoke symbols of the Mexican Revolution in their demands for continued agrarian reform (Stephen 1998a). These struggles prevent the completion of PROCEDE in the area:

In Chiapas the use of historical national symbols in the service of indigenous struggles has so altered the structures of political and economic power that the government has given up implementing PROCEDE in Zapatista territory. (Stephen 1998a:23)

Even in ejidos where members accept PROCEDE, the process of titling involves many steps that end up being stumbling blocks. For example, defining property boundaries and assigning plots is often difficult for reasons of historically institutionalized land use, as described above. Furthermore, in ejidos that do complete the titling process, an even more significant barrier to capitalization in the countryside exists: receiving titles does not mean that landowners will use the titles to sell their land. Quite to the contrary, preliminary evidence suggests that few ejidatarios are privatizing their land immediately after receipt of titles (Cornelius and Myhre 1998:12).⁴⁰ Instead, the process of privatization lags far behind.

The current lack of progress toward titling is a sign that ejidatarios will want to keep the ejido structure in place even if they do eventually complete the titling process (Jones and Ward 1998; López Sierra and Moguel 1998; Stephen 1998). In Oaxaca, for

³⁸ *Secretaría de la Reforma Agraria* 1998:109.

³⁹ The *Ejército Zapatista de Liberación Nacional* (Zapatista Army of National Liberation or EZLN) are a group of armed insurgents who took over 4 cities in Chiapas on January 1, 1994. They continue to occupy territory in Chiapas and have a variety of unmet demands. Efforts to bring peace to the region have failed.

⁴⁰ Data on the total number of lands that have been converted to private property has not yet been published by the Mexican government. Field researchers in several states have found extremely low percentages.

example, complete conversion to private property is lacking even among the ejidos that have completed the PROCEDE process in this poor southern state:

Statistics on rates of incorporation and completion released periodically by the Procuraduría Agraria do little to illustrate the program's impact on social relations within ejidos. Perhaps the most telling statistic in Oaxaca is that only 3 of the 36,789 parcels certified for individual use as ejido land have been disestablished (converted to 'dominio pleno'), permitting their conversion to private property (Procuraduría Agraria, Delegación Oaxaca 1995). The other 36,786 plots remain in a sort of suspended status, measured and certified under PROCEDE but not yet converted to individual private property. (Stephen 1998:126)

A privatization rate of "3 of the 36,789 parcels" hardly seems to warrant a description such as "the most farreaching institutional change for rural Mexico since the Revolution," as characterized above by DeWalt and Rees (DeWalt and Rees 1994:1).

Regional differences are significant, and this phenomenon of slow titling and privatization is not unique to Oaxaca. Although in some states (i.e., Baja California Sur, Colima, Campeche and Tlaxcala) more than 80 percent of agrarian groups are incorporated into PROCEDE, in others (i.e., Chiapas, Michoacán, Jalisco and Guerrero), less than 50 percent are incorporated.⁴¹ Table Five provides data from each state on participation in PROCEDE. The total number of ejidos and agrarian communities in each state is presented, along with the number that have received a "favorable" diagnosis by PROCEDE and those that have received an "unfavorable" diagnosis.⁴² Finally, the number of ejidos and agrarian communities that have been certified (the last stage of

⁴¹ *Secretaría de la Reforma Agraria* 1998:107. Field research comparing the differences between these groups of states is needed to shed more light on the impact of the ejido on the progress of PROCEDE.

⁴² These two numbers when summed do not equal the total number of ejidos and communities because some of the agrarian groups are still being processed, and thus cannot be qualified as either "favorable" or "unfavorable."

Table Five: Participation in PROCEDE by State as of January 6, 1998

State	Ejidos & Communities	Favorable Diagnosis	Unfavorable Diagnosis	Certified
<i>Total</i>	<i>29,474</i>	<i>23,314</i>	<i>3,704</i>	<i>15,894</i>
Aguascalientes	185	179	0	153
Baja California	227	183	39	131
Baja California Sur	100	96	4	85
Campeche	380	338	42	308
Coahuila	877	762	114	593
Colima	152	150	0	141
Chiapas	1,959	1,119	576	435
Chihuahua	956	863	13	614
Distrito Federal	89	0	0	0
Durango	1,071	929	0	740
Guanajuato	1,415	1,232	166	796
Guerrero	1,236	832	210	447
Hidalgo	1,153	891	109	545
Jalisco	1,426	1,064*	300	618
México	1,220	956	94	642
Michoacán	1,833	1,458	220	714
Morelos	230	190	12	154
Nayarit	394	321	19	197
Nuevo León	607	545	43	419
Oaxaca	1,466	681	273	421
Puebla	1,163	972	37	717
Querétaro	373	330	25	251
Quintana Roo	275	274	1	202
San Luis Potosí	1,260	934	151	674
Sinaloa	1,239	975	221	736
Sonora	950	837	92	704
Tabasco	738	710-716*	22	486
Tamaulipas	1,316	1,097	219	890
Tlaxcala	239	235	0	227
Veracruz	3,474	2,838	497	1,914
Yucatán	714	618	78	407
Zacatecas	757	704	44	533

Source: *Secretaría de la Reforma Agraria* (1998:338), using data from the PA. These data had two obvious typographical errors (marked with an asterisk) that are corrected by the author ("064" is corrected to "1,064," and "71" is corrected to "710-716" based on subsequent mention of 676 ejidos in Tabasco participating in a *later* stage of PROCEDE).

PROCEDE, but not the same as privatization) is shown in the last column.

The states that have the highest levels of incorporation into PROCEDE are located in the northern part of the country, characterized by large land holdings and greater mechanization of agricultural production. Ejidal and communal land holdings also have less significance in the north than in the central and southern states. Many indigenous communities (usually "agrarian communities" rather than ejidos) resist privatizing, and many indigenous communities are found in the southern and central states. Whereas by early 1998, 81.1 percent of all ejidos nationally were incorporated into PROCEDE and 58.6 percent had finished certification, in municipalities with indigenous populations, only 60.3 percent were incorporated and a mere 37.7 percent had finished certification (*Secretaría de la Reforma Agraria* 1998:153).

Many ejidatarios are going along with the first elements of PROCEDE but do not want their land to become fully private (Goldring 1998). The ejido serves a number of different roles for them:

Facing a very stressful economic context, they are attempting to hang on to some security by selectively appropriating PROCEDE as an element of the reforms while stopping short of full privatization...Some simply want to keep renting out their land and receiving lots; others emphasize the importance of the ejido in their personal and family history; yet others want to retain access to opportunities for economic and political mobility. (Goldring 1998:170)

Many ejidatarios view the first part of the PROCEDE program as sufficient to their needs.

The significance of ejidal membership to younger generations is revealed through a study in Oaxaca:

The liberation brought by Zapata and the ejido facilitated by Cárdenas...are cited in the community...as a critical step which began to lift the community out of poverty and allowed it to shed its image as a

town of poor, barefoot, non-Spanish speaking Zapotec Indians. The story is repeated by people as young as 20 or 25 years old as part of their cultural history. For younger ejidatarios, this story is part of their identity in belonging to the ejido even if their experience of being an ejidatario is very different...(Stephen 1994:19)

Nonetheless, the position of younger ejidatarios is more ambiguous than that of older ejidatarios who have deeper and personal ties to the struggle for ejido land and for whom ejido membership historically meant some relief from poverty. The sale of ejido lands will most likely not occur immediately, but instead will most likely become an issue when the current generation of ejidatarios is forced to further divide land plots among their children (Stephen 1994:27). This conversion is likely to be fairly slow, in reflection of the dwindling significance of the ejido over time.⁴³

This process will also likely be affected by the potential for profitable production in the region, as was the case in Chile. In Chile, as noted previously, land sales were less common in areas better suited to growing traditional crops than those suited for export production. Since many ejidal lands are marginal and not irrigated, the benefits of remaining organized as ejidos may outweigh the incentives to privatize for quite some time.

In addition to the slow privatization of ejidal lands, capitalization of ejidal lands is characterized by other delays unanticipated by neoliberal planners. Capitalization was expected to deepen through the use of joint ventures between the private sector and

⁴³ Stephen hypothesizes about the timing of sales of ejidal lands:

Given the important differences in historical consciousness, labor socialization, and size of farming plots available to the two generations of ejidatarios (those above 40 and those below) large-scale selling of ejido land will most likely not take place immediately, but slowly over the next 15-20 years as younger people inherit land from their parents. (Stephen 1994:27)

ejidos. The legalization of joint ventures was supposed to involve the private real estate sector in the low-income land market (Jones 1998). However, as of late 1996:

...only nine private sector-ejido partnerships have been approved (two are for the same ejido), and a further two are at the project stage. Overall, the nine approved developments total 3555 hectares, equivalent to less than 0.12% of ejido land on the periphery of Mexican cities. (Jones 1998:82)

Rather than a growth in the development of ejidal lands at the peri-urban fringe of Mexican cities, little has changed (Jones 1998; López Sierra and Moguel 1998). The reluctance of realtors to become involved in these joint ventures is due to several different factors, among them, “an inability to negotiate with the ejido as ‘[we] speak a different language’ ” (Jones 1998:82). Thus the ejido as a distinct social, political and economic institution prevents the successful negotiation of joint ventures because it lacks a singular economic purpose.

In sum, in a myriad of ways, the institution of the ejido, a historical institution of the Mexican state, serves to hinder the implementation of neoliberal reforms of the state, namely, privatization and capitalization. Some ejidatarios reject PROCEDURE outright, preferring to retain the benefits they associate with ejido membership instead of privatizing. In other ejidos, members cannot agree on whether or not to participate, thereby delaying their incorporation into PROCEDURE. Some ejidatarios apparently prefer to complete only part of the titling process, in order to receive the benefits of titles, without running the risks associated with private responsibilities. Finally, in the great majority of ejidos that do complete PROCEDURE, ejidatarios are not quickly selling their lands as expected, and capital is not flowing into the countryside as was hoped.

The Role of the State during these Neoliberal Reforms in the Agrarian Sector

Given these effects on the implementation of neoliberal reforms, is the Mexican state doing anything in response? Is it forcefully attempting to make the ejido less successful, in order to encourage privatization, as was the case of the asentamientos under Pinochet? Or is it playing a supportive, paternalistic role similar to what it always has? A look at the state's interactions with ejidatarios and ejido leaders sheds light on these issues.

Ejido leaders use their position and access to state disbursements to perpetuate economic and political relations that existed before the reforms began. For example, in Zamora, Michoacán, one group of ejido leaders constructed a new building to house their ejido organization in 1994-95, several years after the introduction of the PROCEDI program (Goldring 1998). Through this construction, the ejido leaders were trying to preserve relations between ejidatarios, ejido leaders, and the state, and to retain control over economic and political resources (Goldring 1998:170). They are able to sustain and even advance these roles in spite of the package of neoliberal reforms.

Whereas in the past, the PRI/state was able to intervene in the ejido by maintaining ambiguous property rights, today the reforms to Article 27 actually reinforce the institutionalized role for the state in ejido affairs (Jones and Ward 1998). The historical precedent continues, although it may have shifted. The reforms may be misinterpreted (Jones and Ward 1998).⁴⁴

⁴⁴ There is a danger of,

...reading too much into the rhetoric and not enough into the substance of the reform. Thus, just as Article 27 is replete with a rhetoric (or discourse) of productivity, justice, and liberty, many of the concrete provisions of the reform envisage constraints on rights and citizenship, and new forms of

The state continues to play a role in ejido affairs, and the reforms are not as radical as they at first may appear. Political protection and other forms of clientelist patronage continue unabated despite the reforms:

Indeed, for the most part the agrarian legislation continues to offer political protection to the ejido...[T]he legislation [has not] set out deliberately to undermine... benefits such as access to subsidies and marketing networks, mechanisms for the resolution of boundary conflicts, opportunities for the gift of plots to family members, or assistance in the organization of companies to run gas stations, quarries, and taxi services and to sell water and building materials to low-income settlements... Many of the apparently profound reforms are largely cosmetic or subtle definitions... The reform, therefore, is not as radical as it first appears, and this fact should warn against 'talking it up' as a giant departure along a neoliberal road toward full privatization. (Jones and Ward 1998:253-254)

An understanding of the limits of the reforms is noteworthy when contrasted with the stated intent of the neoliberal reforms and their anticipated effects. Even deeper deviations from the behavior expected of a neoliberal state are evident. Ejidal organizations are now even being revived (*Secretaría de Reforma Agraria* (1998:104-105). New mechanisms of political manipulation perpetuate the historical intervention by the state in ejidal affairs:

Indeed, on the back of the reforms has come a host of secondary legislation, regulations, and codes that establish a series of restrictions, procedures, and normative conditions for the application of the new reforms. In applying these procedures the state has obtained for itself a series of mechanisms to intervene in the ejido.... Certainly the evidence from Puebla suggests that in the short term the ejidatarios risk losing out less on account of any so-called privatization than of the accompanying political manipulation. (Jones and Ward 1998:272)

These new mechanisms of manipulation are examples of the rebirth of older informal institutions into new procedures that maintain prior relations between ejidatarios

and the state. The Agrarian Law of 1992 has shown that, "the Ejidal or Communal Assembly is the supreme organ in the life of the agrarian groups, and has a set of responsibilities, obligations and powers" (*Secretaría de Reforma Agraria* 1998:104). The *Secretaría de Reforma Agraria* reports that PROCEDE has,

... converted the ejidal assemblies into authentic forums of discussion of other programs and projects related to local development, an experience which is noted even in those ejidos which have rejected their incorporation into PROCEDE. (*Secretaría de Reforma Agraria* 1998:105)

Thus new life has been breathed into the ejidal assembly as a result of PROCEDE.

The state is reinventing the responsibilities of the ejido to its members.

Regularizing ejidal and communal properties forms the basis for new ways exploiting resources (*Secretaría de Reforma Agraria* 1998:129). Ejidos must now attend to six broad responsibilities "with the support, assistance and at times instruction from the institutions of the Agrarian Sector" (*Secretaría de Reforma Agraria* 1998:130). These include:

- (1) elaboration or updating and reform of the internal ejidal and communal rules,
- (2) creation and systematic updating of a registry book of the agrarian group,
- (3) creation and continuous updating of an accounting and administrative book of the group,
- (4) designation of and depositing of a list of heirs of ejidatarios and communal residents
- (5) gathering of residents for meetings, and,
- (6) periodic renovation of the representative and vigilant bodies (*Secretaría de Reforma Agraria* 1998:130).

The rhetoric of the *Secretaría de Reforma Agraria* with regard to the responsibilities of the ejido does not match well with the neoliberal rhetoric touted at the national level in

the 1990s. This further supports the argument that on the whole, the role of the ejido has not declined significantly as a result of the reforms, and the institutionalized relationship with the state continues.

Political manipulations that maintain clientelistic ties between ejidal leaders and government officials also perpetuate the role of the ejido. For example, in one ejido in the Ecuandureo Valley the informally institutionalized relations between the PRI/state and the historically incorporated peasant classes are reborn through PROCEDE (Zendejas and Mummert 1998). The process served as an opportunity to fortify clientelist links between ejido leaders and politicians, as well as to renew corporatist links between peasants and the PRI/ state more generally:

In yet another demonstration of their sagacity in seizing opportunities for political network building, the ejido leaders... requested that the official ceremony in which certificates would be delivered take place in their village.... The minister of agrarian reform and the state governor presided over a ceremony... in which ejidatarios... received a total of 8,717 certificates of rights to both ejido common lands and individual arable ejido plots.... As the minister's and the governor's triumphant speeches, the political clout of their retinue, and the large crowd assembled all made clear, the officials were doing much more than delivering documents. They were trying to create nation-state symbols by emphasizing the government's fulfillment of promises to Michoacán peasants and 'to the nation's campesinos at large.'... As on other occasions, the ejidatarios were not passive pawns in this ceremony;... ejido leaders and the municipal president made use of this ceremony to develop their networks. (Zendejas and Mummert 1998:195-196)

The delivery of ejidal land titles is conducted in similar ceremonial style throughout Mexico. Such political manipulation is "concealed within what appears to be a framework of state-ejido negotiation that is fully consistent with the new legal provisions" (Jones and Ward 1998:272).

Since this informally institutionalized set of public-social relations creates unpredictable outcomes, neoliberal reforms have unpredictable results. The fact that the

outcomes of the reforms have been so unpredictable to date suggests that their ultimate effects will be quite varied.⁴⁵ These irregular and unanticipated outcomes are the result of the influence of the ejido during the era of neoliberal reforms. The ejido building constructed in Zamora, Michoacán in 1994-95 is representative of the status of ejidos today, embodying,

... multiple, potentially overlapping and competing versions of the significance of ejido rights and membership. Rather than representing a shift toward full market orientation, the refurbished ejido stands for an evolving relationship with the federal, state, and municipal governments. (Goldring 1998:170)

What does this mean for the implementation of neoliberal reforms in Mexico? An understanding of the strength of the ejido as an institution is key to comprehending the long-term consequences of the neoliberal reforms to the agrarian sector. Despite the neoliberal reforms implemented nationally, outcomes will differ from those anticipated by policy makers and many scholarly observers, because of its continued influence. Ejidos will persevere, fewer land sales than anticipated will occur and the ejido will evolve into an institution suited to the 21st century rather than being rapidly replaced by a minority of large-scale agriculturalists.

⁴⁵ Jones and Ward explain that:

...the reform has not produced many changes to land market operations other than when the state is involved. In the short term we will probably observe a transition to a hybrid land market that incorporates many of the old practices, agents, and irregularities, alongside some new forms of state intervention, private-sector participation, and ejido-controlled methods of land alienation. (Jones and Ward 1998:272)

The Influence of the CNC, the FNOC and the IMSS

Although the ejido is the state institution with the greatest impact on neoliberal reforms in the agrarian sector, other state institutions also play significant roles. This section will briefly review ways in which CNC, the FNOC and the IMSS (the Mexican Social Security Institute) limit the impact of neoliberal reforms.

As noted earlier, almost three-fourths of all agrarian groups belong to the CNC. When the government first proposed the new agrarian reforms on November 1, 1991, the CNC responded with a series of provisions that it considered necessary for incorporation into the new agrarian laws (*Secretaría de la Reforma Agraria* 1998:81). These included demands to prohibit *latifundios* and to “conserve the inalienable, unrestricted (*inembargable*) and indescribable characteristics of communal and ejidal properties” (*Secretaría de la Reforma Agraria* 1998:82). Thus the CNC acts to preserve the historical role of the ejido. The CNC’s general stance against *latifundios* reveals its opposition to the neoliberal concept of operating production according to the most profitable economies of scale rather than in ways that seek to accommodate the millions of small-scale agriculturalists living in the countryside at present. Hence the CNC defends values which contradict neoliberal ideals on some levels.

A study of the agrarian sector in the state of Puebla reveals the influence of the CNC, the FNOC and the IMSS during neoliberal reforms (Otero 1998). Puebla has long been an important site of sugar production in Mexico, but production in the 1980s was very inefficient. The goals of the neoliberal reforms included increased access to credit, enhanced efficiency by both sugar industrialists and cane growers, and crop diversification (Otero 1998:92, 96). The privatization of sugar mills began in 1988, but

producers in the region have not responded as hoped. Producers in Puebla do not operate according to the principle of comparative advantage:

... growers in the region are opting either to stay with sugarcane, the most secure crop and the only one for which they are guaranteed a loan, or to withdraw from the market altogether to grow subsistence corn and beans. (Otero 1998:96)

Where do these guaranteed loans for sugarcane production come from? The CNC and FNOC guarantee their availability. Cane growers were compulsorily affiliated to one of these two official organizations of the PRI after 1983, and as of the summer of 1995, this was a significant reason for their continued production of sugarcane (Otero 1998). In a survey of 222 growers in the Atencingo region of Puebla, 27.5 percent said they cultivate sugar because of their access to credit (Otero 1998:98).

Another reason to continue producing sugar, according to the growers, is the fact that sugar "is the only crop that gives producers access to health insurance through the IMSS" (Otero 1998:97). The IMSS thus influences the success of private industrial groups such as *Grupo Escorpión*, which operates in Puebla:

Grupo Escorpión, in line with the thrust of neoliberal policies, is trying to reconcentrate the land so as to deal with fewer producers and to have a more efficiently planned and operated agricultural process. Grupo Escorpión has met with absolute refusal on the part of ejidatarios to let go of their hard-won control of the land. If anything, they are distributing it further, passing it to their children in order to assure them a subsistence and access to the health services and other benefits of Mexico's Social Security Institute (the IMSS). (Otero 1998:95)

Hence the IMSS interferes with the neoliberal reforms even years after their implementation. A discrepancy exists between the rhetoric of reform and the practice of continued assistance. Despite the fact that "the IMSS has changed its rules so that it will grant membership only to cane growers with at least three hectares, there have been no

cases of cane growers with smaller plots being denied access to IMSS on these grounds” (Otero 1998:95, fn. 8).

This example shows the influence of several more state / state-affiliated institutions on the implementation of neoliberal reforms. The CNC and FNOC have guaranteed the availability of loans to producers of sugarcane instead of allowing the principle of comparative advantage to dictate production decisions. The IMSS is another example of an institution supported in part by the state⁴⁶ that in theory ought to be promoting neoliberal reforms, but in practice is continuing to support the status quo. Thus the reforms in this case continue to be hindered by governmental institutions such as the CNC, the FNOC and to a lesser extent, the IMSS.

The Procuraduría Agraria and Other Institutions

What other state institutions influence the implementation of neoliberal reforms in the agrarian sector? An examination of the role of the Procuraduría Agraria (PA) provides a fascinating example of the interconnections between old and new institutions, and the transfer of historically institutionalized responsibilities between them. It also reveals the continuity of corporatist ties between ejidatarios and state agencies.

The state’s goal of privatizing the ejido led to interactions with the PA that in fact strengthened corporatist ties, thereby undermining some of the intended reforms. The PA’s role now is to coordinate PROCEDA. The PA field staff in central Veracruz, under pressure from the state to implement the reforms, have been using corporatist ties to try to

⁴⁶ The percentage of support to the IMSS by the state was reduced from 25 percent to 5 percent in 1993. Nonetheless, the state retains some influence over the impact of the IMSS.

force compliance with PROCEDE (Baitenmann 1988). Even the *Secretaría de la Reforma Agraria* (1998) itself describes the PA's biased role in the PROCEDE process, explaining that while simultaneously diagnosing the eligibility of an agrarian group for PROCEDE,

...the visitors of the Procuraduría Agraria perform an important task of instruction, to convince the members of the representative bodies and the Ejidal Assembly of the importance and convenience by which their group can be incorporated into PROCEDE. This task is one of the most important, since it is a strictly voluntary program. (*Secretaría de la Reforma Agraria* 1998:105)

The PA staff were overworked and had incentives to force ejidatarios to choose PROCEDE rather than allowing them to choose freely whether or not to participate in the program:

Regional field staff were considerably overworked. Perhaps in part because of this, the field workers have used an array of threats and pressure tactics to force ejidatarios to vote—once and for all—in favor of joining PROCEDE.

One reason why pressure tactics were effective in this region is that the new government agencies managed to reproduce old clientelistic control mechanisms at a time of severe economic crisis for the coffee sector. (Baitenmann 1998:119)

Compliance was achieved in part because of the lack of ballot secrecy at the ejidal assembly at which the vote on PROCEDE was taken. Since votes were not secret and ejidatarios were still very dependent on many different governmental agencies, these agencies were able to pressure ejidatarios to comply with the wishes of the PA (Baitenmann 1998).

This information makes the government data concerning PROCEDE compliance more suspect. How were clientelistic ties maintained? The ejidatarios in Veracruz had become very dependent on a number of different agencies in the years preceding

PROCEDE. An organization that had traditionally supported coffee producers in the area (INMECAFE) was shut down between 1989 and 1993. Neoliberal reforms sometimes transferred state support to other government institutions rather than eliminating it entirely (Baitenmann 1998). In the coffee sector at the time, “Government support...was transferred—partially and in an uncoordinated manner—to a number of agencies (including SARH, INI, PRONASOL, BANRURAL, and state governments” (Baitenmann 1998:119-120).

This tendency is often overlooked in studies of the dismantling of the Mexican state. Although the role for the state has changed dramatically, in important ways, some state institutions fulfill many of the same functions they always have, and in the same corporatist fashion. Other old and/or new state institutions take on the traditional functions of other “reformed” state institutions. Rather than disappearing, state institutions continue to play a significant role in ejidal affairs, in contrast to the rhetoric of neoliberal reforms (Baitenmann 1998; Goldring 1998; Jones and Ward 1998). Governmental regulation has increased and ejidatarios now have to deal with “an array of agencies and programs that ...[are] difficult to differentiate—Procuraduría, Promotoría, PROCAMPO, PROCEDE, PRONASOL, PROCAFE” (Baitenmann 1998:120). In addition, a total of nine government agencies participated in PROCEDE alone (Baitenmann 1998:120).⁴⁷ Of course, the PROCEDE land-titling project is enormous, and it is not surprising that the Mexican government utilizes available institutional resources to carry out such a large project. Yet the outcome of this institutional overlap

⁴⁷ These included the “Procuraduría Agraria, Secretaría de la Reforma Agraria, INEGI, Registro Agraria Nacional, Secretaría de Desarrollo Social, the then Secretaría de

is significant, since in this context, corporatist and clientelist ties are used to influence votes (Baitenmann 1998:120).⁴⁸ The absence of ballot secrecy often helps maintain corporatist ties and authoritarian control, as during the 1994 elections (Fox 1996). Corporatist ties continue to flourish despite the government's neoliberal agenda of bypassing old institutions in favor of more direct ties between the state and each producer. The institutional design surrounding PROCEDE had many flaws, including a severe conflict of interest by the PA itself:

While agrarian rights in general, and voting rights in particular, were not respected during the implementation of PROCEDE, the government agency set up to function as an agrarian ombudsman and deal with these violations was ineffective. With the reforms to Article 27, the Procuraduría Agraria was revamped in order to play the role of an agrarian ombudsman. Its internal rules and regulations state that its objective is to defend the rights of ejido members and other rural producers by hearing, investigating, and channeling to the appropriate authorities all alleged violations of the agrarian legislation committed by public servants. The contradiction lies in the fact that the Procuraduría, first, is not fully autonomous from the federal executive and, second, is the same agency empowered de facto to coordinate and implement the titling program it is supposed to arbitrate. (Baitenmann 1998:120)

These contradictions set the stage for the continuation of corporatist controls by the state over ejidatarios. The *Secretaría de la Reforma Agraria* delineates matter-of-factly that the PA is charged with “defending the rights of the *ejidatarios* and *comuneros* with respect to the right to use and enjoy their lands, and to transmit the rights over them” as well as having “the fundamental duty to promote the certification of ejidal and

Agricultura y Recursos Hidráulicos, Registro Público de la Propiedad, Colegio de Notarios, Seduver” (Baitenmann 1998:120 fn.26).

⁴⁸ Votes were manipulated as a result of the institutional overlap, which, ...made it difficult to understand who had jurisdiction over what. And it is in this context that government agencies were able to reproduce the old clientelistic control mechanisms: government support in exchange for

communal rights..." (1998:93). The PA's involvement in the land titling process is inherently problematic:

In practice,...since the Procuraduría field staff actively participate in coordinating, setting up, and implementing the program, any complaints related to the titling program are made to the same government bureau whence the agents allegedly committing the abuse come. Thus the Procuraduría becomes both judge and jury in PROCEDE. (Baitenmann 1998:121, citing Baitenmann 1994b)

This reveals that neoliberal reforms transferred state support to other government institutions rather than eliminating it entirely.

The reality of state involvement in the countryside contradicts the rhetoric of neoliberal reforms. The state, rather than withdrawing from productive activity in the countryside, is actually gaining a presence there (Bartra 1996:173). Although the economic presence of the state is constantly decreasing, the state's presence has become more direct and paternalistic (Bartra 1996:174).

Mexico at the turn of the 21st century does not appear as reformed as the neoliberal planners had hoped it would by now (Baitenmann 1998; Bartra 1996; Fox 1996; Jones and Ward 1998; Otero 1998). Older state roles have been reincarnated within the confines of new state institutions created for the implementation of neoliberal reforms (Bartra 1996). This continuity is deleterious to the Mexican countryside and to campesinos.⁴⁹

votes. This was possible precisely because there was no ballot secrecy. (Baitenmann 1998:120)

⁴⁹ The corruption characteristic of historical relations between campesinos and the state is still evident today, as Bartra depicts with chagrin:

The peasant world continues to be dominated by an omnipresent dealer state that clings to both the old, cutthroat caciques and the brand-new conciliating leadership, with its faxes and computers. Rural life still dangles from the strings pulled by the institutional patriarch, existing in

Two of these new state institutions are PRONASOL and PROCAMPO, the “stars of rural neopopulism” and “the artifices of the client culture in times of neoliberal reform” (Bartra 1996:174). How did these two programs created to smooth neoliberal reforms end up in fact perpetuating populist and corporatist institutions? A closer examination of each one in practice will reveal the answer to this question and suggest the long-term consequences of these influences.

PRONASOL

PRONASOL was an ambitious anti-poverty program designed to ease the transition into a neoliberal economy. It was created on December 6, 1988 and was intended to benefit the poorest regions of Mexico. Its federal budget line, “*Ramo 0026*” (Branch 0026), was previously allocated to programs called “*Desarrollo Regional*” (Regional Development). In 1997, *Ramo 0026* funds became known as “*Superación de la Pobreza*” (roughly, “Overcoming Poverty”), and as “*Desarrollo Social y Productivo en Regiones de Pobreza*” (“Social and Productive Development in Regions of Poverty”) in 1998.

PRONASOL (or Solidarity, as it was often called) was a very visible program. The program was highly publicized as a means for organized community groups to receive federal investment. Its high visibility did not accurately reflect its proportion of federal investment, however, since even during 1993 (its biggest year), PRONASOL represented no more than 15 percent of total federal investment (the other 85 percent belonging to the normal federal investment program (Rodríguez 1997:102).

the shadow of a bureaucracy that may bestow or deny; an omnipresent power that may reward or punish but always corrupts. (Bartra 1996:174)

The Salinas administration presented PRONASOL as a new, more transparent and direct way to get federal investment. It was to address some of the problems inherent in any structural adjustment program, namely, poverty during a period of transition. These included countless needs, including those of social welfare, production, regional development, health, education, potable water, etc. Yet an examination of the other 85 percent of federal investment would actually reveal far more about whether most federal investment was being allocated according to neoliberal dictates.

Nevertheless, a review of PRONASOL will prove enlightening precisely because the neoliberal administration touted it as an example of a new form of collaboration and investment suited to a liberalizing economy. PRONASOL was presented as a way to overcome the disadvantages of corrupt distribution systems benefiting only certain historical clients. Given the mandate of PRONASOL, it should not have been subject to criticism for increasing the size or role of the state. Yet it is an example of neoliberal reforms (to reduce the power of the state) constructing new institutions of state power and perpetuating old institutions under new organizations and with a new names. Through PRONASOL traditional political-economic relations are maintained and corporatist norms reveal themselves.

Historically institutionalized norms as well as traditional formal institutions affected the distribution of PRONASOL funds, shaping an environment in which this neoliberal program did not always function as intended. An example of this is the use of PRONASOL as a political tool (Fernández Jilberto and Hogenboom 1996; Otero 1996). Rather than trying to do away with corporatism, the PRI was actually attempting to renew

and *replace* old corporatist structures of the CNC, the CTM and the FNOC with new ones (Otero 1996b:238).

PRONASOL was used as a means of relegitimizing the PRI/state, and was focused on areas where the political opposition was popular (Fernández Jilberto and Hogenboom 1996:153). It served as a replacement for other types of social spending, and its hierarchical structure served to bolster presidential control (Fernández Jilberto and Hogenboom 1996:153). PRONASOL was used both as a means of incorporating a variety of new groups into the PRI/state and as a way of either tantalizing or punishing the opposition. A variety of political motivations surrounded the distribution of PRONASOL funds:

...[B]ecause of the discretionary nature of the Solidarity Program, decision making regarding investments in states and municipalities was not always transparent and on occasion gave rise to allegations that partisan political considerations affected the allocation of resources. ... In...places governed by the opposition, there was also evidence of flooding the locality with Solidarity projects around election time. Conversely, the argument has also been made that localities governed by the opposition were punished by not directing any Solidarity projects to them. (Rodríguez 1997:104)

Under Salinas, the historically populist PRI/ state used PRONASOL to perpetuate populist and corporatist tendencies during the era of neoliberal reforms. Some scholars suggest that populism should not always be perceived as incompatible with neoliberal policies (see, e.g., Roberts 1995). Roberts (1995) argues that personalistic leaders such as Alberto Fujimori in Peru use neopopulist forms to support autocratic rule and neoliberal policies. Yet he qualifies his claim by explaining that this is only true in certain contexts:

This new, more liberal variant of populism is associated with the *breakdown of institutionalized forms of political representation* that often occurs during periods of social and economic upheaval. Its emergence

demonstrates that populism can adapt to the neoliberal era and that it is not defined by fiscal profligacy; indeed, even when constrained by fiscal austerity and market reforms, personalist leaders have discovered diverse political and economic instruments to mobilize popular sector support when intermediary institutions are in crisis. (Roberts 1995: 83; italics added)

In Mexico, the informally institutionalized belief in a strong provider state was maintained despite the undoing of many social programs. The PRI/state attempted to replace many structural social programs with “a much cheaper populist skeleton that only spends money where and when it is politically necessary” (Fernández Jilberto and Hogenboom 1996: 153). Yet the breakdown of institutionalized forms of political representation was not as severe in the Mexican case as in the case of Peru under Fujimori. PRONASOL was used to incorporate new groups, but corporatist norms remained influential in a variety of ways (Fernández Jilberto and Hogenboom 1996; Otero 1996). The PRI/state used PRONASOL to recreate clientelistic links with new groups that fell outside the reach of the traditionally incorporated groups:

The programme attempts to compensate for the increasingly exclusive character of the PRI by recreating a clientelistic linkage with those groups that are no longer represented through traditional corporatist structures, such as peasants, workers and the unemployed poor. As it coopts numerous popular initiatives and organizations...while competing with more independent groups, PRONASOL diffuses the political struggle of the popular movements. (Fernández Jilberto and Hogenboom 1996: 153)

Through PRONASOL, the government worked to regain its popularity by creating and recreating corporatist ties between fundamental groups in Mexican politics and the state, continuing the informal institution of corporatism by re forging old ties in new ways as well as with new groups. PRONASOL “complimented party reform and reflects a modernisation, rather than a dismantling, of corporatism” (Craske 1996: 89). Although the state had created a new formal umbrella organization for the distribution of

Ramo 0026, it ultimately operated PRONASOL using historically institutionalized corporatist means.

The PRI appears to have frequently used PRONASOL in this fashion to gain an electoral base, just as it did in previous decades through institutions such as the CNC and the CTM. Yet the CTM and the CNC retained certain significance. Despite the shift in political relevance, individuals with corporatist ties to the PRI through membership in the CTM and the CNC were often at some advantage in the bid for funding through PRONASOL. For example, corporatist ties were used in Chiapas to control the distribution of PRONASOL funds:

PRONASOL was also manipulated by the state governor, Patrocinio González Garrido. The program to support subsistence farmers with interest-free loans was controlled not by a community or regional board as in other states, but by the governor's office, allowing him to reward political friends in the PRI and CNC (Cano 1994). A state-level Ministry of Community Participation, staffed by loyal PRI and CNC leaders, was set up in early 1992 in an effort to institutionalize these arrangements.... [T]he governor also dismissed officials who attempted to support local independent organizations. (Harvey 1998:75)

The organization of PRONASOL is also criticized for reinforcing the lack of distinction in Mexico between party and state, and bolstering patron-client ties as a means of achieving political goals (Craske 1996). Corporatist ties to one of the traditionally incorporated groups, the popular sector, were actually strengthened through PRONASOL. PRONASOL, like the PRI:

... is also organised in stratified, hierarchical and non-competing organisations where demand-making is channelled in a top-down structure and horizontal linkages are contained. It mirrors the organisation of the PRI albeit with structures which focus on different issues; instead of labour, peasant and popular sectors, we now have services, production, the regional fund, women and schools. In regions where the Popular Sector's traditionalists have been able to maintain their dominant position, it has often served to strengthen their hand by becoming another resource for them to distribute. In many of the neighbourhoods...little if any distinction

was made between PRONASOL and the Popular Sector or the PRI. Thus rather than replacing clientelism with clear rules which may represent 'pork-barrel politics' but nothing more, it is actually reinforcing many of the trends which the modernisers want to change. (Craske 1996:89)

Through PRONASOL, the changes to corporatist institutions during the 1990s have broadened the base of inclusion while reducing the impact of such incorporation when politically feasible. This Mexican neocorporatism may actually hurt some social constituencies, at least during the short run and perhaps even in the long run:

...since most PRONASOL financing is channeled through municipal presidencies, the old power structures are being marginalized from the new system, or at least they are left with diminished and more conditioned power....

Thus, in organizing the new solidarity committees, the Salinas administration attained two goals: On the one hand, it competed with the traditional left-wing organizations for their social constituency; on the other, it evaded traditional corporatist structures while generating parallel structures, independent from traditional PRI organizations, such as CNC (Moguel, 1992a:44).... This is an important difference between old corporatism and neocorporatism: Under the former, social constituencies were in a better position to press for their demands. (Otero 1996:15)

Power under neocorporatism is concentrated even more strongly in the hands of the state, and as arbitrarily as ever. Petitions to PRONASOL were judged arbitrarily rather than according to clear cut criteria of worthiness (Craske 1996:89).

The disappearance of corporatist norms is neither complete nor imminent, and corporatism and neocorporatism will continue to be of significance to Mexican development even after the implementation of neoliberal reforms (Craske 1996; Fernández Jilberto and Hogenboom 1996; Otero 1996). This examination of PRONASOL has revealed that corporatist norms interfere with the neoliberal goal of using efficient and rational means to select the beneficiaries of federal social

development spending. The effect of PROCAMPO on the implementation of neoliberal reforms reveals similar tendencies.

PROCAMPO

Many of the same issues relevant in the preceding discussion of PRONASOL are again significant when examining the impact of PROCAMPO. PROCAMPO is a program of subsidies for producers of basic grains that began operations in late 1993 as a means of buffering the effects of NAFTA on the producers of basic grains. It is supposed to operate for 15 years and was designed to provide support to 3.3 million producers. PROCAMPO has been used as a political tool by the PRI, and it contradicts the ultimate goals of neoliberal reforms (Appendini 1998; Carlsen 1997; Enciso 1997 and 1998; Stephen 1994). It has fallen far short of several of its original objectives. An examination of the interplay of several institutions and norms will reveal the ways PROCAMPO has hindered the implementation of neoliberal reforms in the agrarian sector.

PROCAMPO was created to help smooth the transition to a liberalized market in agriculture. It was hoped that the program would help producers of basic grains switch to the production of more profitable crops, but this has not occurred (Enciso, December 20, 1998). PROCAMPO payments go directly to producers on a per hectare basis, and can be used to support rural consumption rather than to subsidize agricultural production. PROCAMPO has been criticized for being a welfare program rather than an agricultural policy (Carlsen 1997:6).

The funds can be spent however the recipients wish. A 1994 opinion survey of ejidatarios (N=1,098) found that PROCAMPO funds were used for a number of purposes (Covarrubias Patiño 1996). PROCAMPO funds were mainly used for:

... consumption (38 percent), for the acquisition of productive goods and inputs (30 percent), and for the payment of debts (14 percent). This means that at least 52 percent of the ejidatarios used the program's resources for payments not directly related to investment and productive use. (Covarrubias Patiño 1996:110)

Thus the funds being spent on PROCAMPO have less of an effect on production than might be expected of a program supposedly designed to help aid the modernization of the countryside.

Although PROCAMPO is one of the government's biggest supports for agricultural production, its payments were quite small even at the beginning of the program. For example, in early January 1995, farmers received 400 to 450 pesos per hectare (at the time, \$30 per acre) (Lustig 1996:158). By December 1998 the payment in real terms had slipped 40% compared to 1994 (Enciso, December 20, 1998). For 1999, President Zedillo promised that PROCAMPO payments would maintain their real value and not be eaten up by inflation (Zedillo, January 28, 1999). The cuts in funding have had a profound impact on rural welfare and production has suffered severely as a result.

Given the obvious shortcomings of PROCAMPO as an incentive to the modernization of production in the countryside, what possible role could it be playing instead? Although neoliberal reforms aimed to separate social programs from economic program, PROCAMPO has a heavy 'social' component directly contradicts the spirit of the modernization project (Appendini 1998:32). The timing of the implementation of PROCAMPO was also suspicious. Checks were distributed to 3 million producers for the spring-summer 1994 harvest period, just prior to the August 1994 presidential elections (Appendini 1998:33).

President Zedillo denies that PROCAMPO is a program designed for political benefit.⁵⁰

Yet such links were observed in many states:

PROCAMPO was among the programs most strongly criticized for linking access to agricultural supports with a vote for the PRI. Alianza Cívica found such a link in Guerrero, Oaxaca, Hidalgo, Durango, Michoacán, Veracruz, Chihuahua, and San Luis Potosí. (Appendini 1998:33, fn. 6)

What about PROCAMPO's current status? Not insignificantly in this pre-election "year of Hidalgo,"⁵¹ the funding for PROCAMPO is now at least supposed to keep up with the pace of inflation, after losing value due to inflation for several years. The other main agricultural support program, *Alianza para el Campo* (Alliance for the Countryside) will also gain significant funding this year, increasing by as much as 100 percent in some states (Zedillo, January 28, 1999).

In similar fashion to the distribution of PROCEDE land titles, PROCAMPO payments are also dispersed during ceremonies at which PRI functionaries give speeches. PRD (*Partido de la Revolución Democrática*, Party of the Democratic Revolution) party senator Jorge Calderón (also a professor of Agricultural Economics at the UNAM [*Universidad Nacional Autónoma de México* or National Autonomous University of Mexico]) considers PROCAMPO an instrument to induce voting, and argues that, "...there is a symbiosis between functionaries of Procampo, municipal presidents, campesino leaders and federal and state authorities."⁵²

⁵⁰ See, e.g., "Comunicado No. 735" Mérida, Yucatan, February 26, 1998, (*Niega el presidente Zedillo que Procampo sea un programa partidista o electoralero*; President Zedillo denies that Procampo is a party- or electoral-program).

⁵¹ See Chapter 4.

⁵² Quote by Calderón cited in Enciso, August 11, 1997.

Thus PROCAMPO reveals many of the same political manipulations as PRONASOL. Historical corporatist ties remain important and are even strengthened by the existence of PROCAMPO since PRI functionaries hand out funds. The increase in the real value of disbursements around presidential election years also serves to bolster the image of the PRI. The underlying implication is that if the PRI loses power, PROCAMPO payments may disappear. Rather than serving to modernize the countryside, PROCAMPO's stated aim is undermined in practice, as the program reinforces informal corporatist ties and perpetuates a system of politically-linked and – motivated support.

Conclusions

This chapter and the previous one reveal that a significant part of formal and informal state institutions continue to function in many of the old ways they always have, in contradiction to more overarching policies at the national and international levels. Even if the number of formal state institutions is reduced and finances are cut, the institutionalized procedures for achieving state goals, as well as some of the goals themselves, have often been resistant to change. Both formal and informal institutions occasionally serve to advance, but more frequently serve to hinder the progress of neoliberal reforms in Mexico.

The comparison of agrarian counter-reforms in Chile and Nicaragua reveals the conditions in which state-initiated agricultural cooperatives influence the impact of neoliberal reforms. In Nicaragua, institutions created during the agrarian reform years (the CAS lands) affect the pace of privatizations during neoliberal reforms in a context of political liberalization. In Chile, on the other hand, the combination of the short

institutional history of the agrarian reform and the overt dismantling of the cooperatives and atomizing of former members made land use depend almost exclusively on the potential for export production. If extreme measures are taken to undo the reforms (as during political authoritarianism) and /or the institutions of the reform have only a brief history (as in Chile), the institutional structures are essentially meaningless. Yet if the cooperatives are merely, for example, abandoned by the state (as in Nicaragua), they will continue to affect the course of land use and development. This comparison suggests that institutional factors have a greater impact on the implementation of neoliberal reforms when they have a longer history of institutionalization and within non-authoritarian contexts.

As in Nicaragua, Mexican state-instituted agrarian reform lands also serve to limit the impact of neoliberal reforms, as evidenced in their slow conversion into privately held lands. The Mexican reforms also occur during a period of political liberalization, and many ejidos have a far longer history of institutionalization than either the Chilean asentamientos or the Nicaraguan CAS lands. This suggests that ejidos may serve as even greater limits on privatization than either of these other two Latin American counterparts. Preliminary evidence suggests that this is indeed the case. Some ejidos have slowed or stalled the completion of the PROCEDE privatization process, delaying its completion indefinitely. The original date for completion of PROCEDE has been pushed from 1994 to 2000, and current data indicate that the actual completion may take years more.

Other institutions also hinder the influence of the reforms in the agrarian sector. The CNC, the FNOC and the IMSS often perpetuate systems of assistance based on criteria other than agricultural productivity or efficiency. The use of corporatist ties to

advance the goals of the Procuraduría Agraria shows that institutions may simultaneously advance certain aspects of neoliberal reforms while undermining other intended benefits. The critiques of PRONASOL and PROCAMPO concur. Partisan political incentives drive the maintenance of the use of formal and informal institutions; these institutions in turn contradict the mandates of PRONASOL and PROCAMPO to further the neoliberal agenda.

Not all institutional effects are covered in these two chapters of evidence (Chapters 5 and 6), but they have nonetheless drawn out some important ways institutions impact neoliberal reforms. Given the significance of institutional effects on neoliberal reforms in Mexico, what does this imply for developing areas in general? As explained in Chapter 3, Mexico provides a window through which to observe a phenomenon relevant in many developing countries. Since it has been considered one of the closest followers of neoliberal reforms, the unmasking of the influence of institutions in Mexico suggests that similar trends likely exist in other Latin American states as well. The implications of this for development in the long-term will be discussed in the concluding chapter, along with some suggestions for integrating an understanding of a nation's institutional framework into the formation and application of development policies. The institutional framework of each state should be taken into greater account when developing and applying development policies.

CHAPTER 7

CONCLUSIONS: DEVELOPMENTAL IMPLICATIONS OF INSTITUTIONAL EFFECTS

As explained in the introduction, the aim of this study was to contribute to our understanding of development issues in Latin America and beyond. This study has shown that a significant number of formal and informal state institutions continue to function in many ways that are paradoxical to the aims of neoliberal policies. Institutional factors usually hinder neoliberal development policies, although occasionally they do advance certain aspects of them. The number of formal state institutions is reduced and finances are cut, but the informal institutions have been more resistant to change. As a result, even at the turn of the 21st century, many Latin American state institutions continue to function in ways which contradict overarching national neoliberal policies. Thus, the economic development model being shaped in Latin America at the end of the 20th century cannot be characterized unambiguously as neoliberal. Instead, the pattern manifested is neoliberalism filtered through the influential mesh of historical institutions of the populist state.

These findings call into question the validity of neoliberal development theory. Neoliberalism underestimates both the significance and the persistence of institutions, a shortcoming that produces very undesirable effects on development when neoliberal theories are implemented. This study proposed the adoption of a historical institutional approach to development issues, and the approach has been used to demonstrate how

institutions influence the implementation of development policies. The findings confirm the influential role of institutions, and suggest that development policies should be designed with greater attention to the institutional context.¹ Indeed, policy makers should reconsider the appropriateness of neoliberal policies, since successful implementation is hampered by state institutions.

This chapter begins by condensing the institutional effects discussed in previous chapters, in order to showcase the variety of institutions that impact the implementation of neoliberal reforms. The relative significance of particular institutions is considered in order to add coherence to these findings. The impact of these institutional effects on development in general is also discussed. The study concludes with a consideration of future avenues for research.

Summary of Institutional Effects

In Chapter 2, a review of a variety of institutional approaches concluded with the selection of a mid-level perspective, historical institutionalism, which would be bolstered by selective insights from macro- and micro-levels of analysis. The historical institutionalist perspective has helped to convey the ways that institutions shape both the choices available to individuals and the decisions made by them. From a more macro-level of analysis, corporatist state-society relations have been shown to result in patterns of behavior visible in state institutions. In turn, those corporatist institutions have had many effects on the implementation of neoliberal reforms. At the lowest level, the micro-level of analysis, the beliefs of individuals have interacted with the two higher levels to affect

¹ The World Bank and the IMF are now are building institutional reform, rule of law,

policy implementation. As an example (as described in Chapter 6), some *ejidatarios* resist the Mexican land-titling process (PROCEDE) because of their beliefs about the benefits of remaining organized as *ejidos* as opposed to gaining individual land titles. Yet the heart of this analysis has shown the variety of ways that many different institutions hinder and distort the reforms. So, using the issue of the ejido as an example, the discussion has focused on the fact that ejidos have historically provided institutionalized benefits to *ejidatarios*. Although individuals make the decision to remain *ejidatarios*, the options available to them have been shown to be filtered through the rubric of their institutional setting.

Chapters 5 and 6 (and, to a lesser extent, Chapter 3) highlighted the significance of institutional heritage during the execution of neoliberal reforms, periods most widely characterized as times of change. Chapter 3 introduced general evidence from Latin America that the reforms are taking longer than originally anticipated. A consensus over the need for market-oriented reforms began as early as the 1970s, and in the 1980s, Latin American countries adopted structural adjustment programs in order to qualify for loans during the debt crisis (Valdés-Ugalde 1996). However, as this study has revealed, the timing of the implementation of neoliberal reforms has run years behind the rhetoric of reform (see also Cavarozzi 1994; Frediani 1996; Graham 1990; Teichman 1996; Tornell 1995). In spite of years of reform, many populist structures remain. A sense of disappointment with the reform process in Latin America is growing because the reforms have not achieved their goals (Burki and Edwards 1996a:2, 4).

measures to combat corruption, and more transparency into their funding programs.

Chapter 3 also presented data from Frediani showing that a number of Latin American countries have achieved less than 50 percent success with their neoliberal reforms (Frediani 1996:78). Out of a group of eight countries, Mexico ranks as having achieved 46 percent success with its neoliberal reforms, and its growth performance lags behind that of the seven others (Frediani 1996:101). Problems with the implementation of neoliberal reforms have been noted by many scholars, and even the International Monetary Fund (IMF) now talks about the need for a second generation of reforms, highlighting the need for institutional reforms (see, e.g., Burki and Edwards 1996a; Burki and Perry 1997 and 1998; Cavarozzi 1994; Graham 1990; Ramamurti 1999; Savastano 1995).

Chapters 5 and 6 revealed evidence of the influence of institutions on reforms in Mexico. Chapter 5 reviewed the impact of corporatist institutions, pacts and state-labor institutions. A rift between modernizing *técnicos* and traditionalist *políticos* was shown to influence policy making at all levels of government. President Salinas (1988-1994) pursued neoliberal tenets while calling his model of development social liberalism, but in practice the model did not achieve the results anticipated by neoliberals (de la Garza 1994:200-201). An informally institutionalized pact among social actors and the state made historically incorporated groups expect assistance from the state, and caused the traditionalist *políticos* in the state to approach reforms in ways influenced by corporatist ties. Formal economic pacts signed during the 1980s and 1990s are examples of institutions that had mixed impacts on neoliberal reforms. On the one hand, they brought stability during a difficult economic era for Mexico, and helped to ensure the longer-term maintenance of a regime advocating neoliberal development policies. Yet on the other

hand, the pacts relied upon historical corporatist ties, thereby undermining the reformist ideals of transparency and democracy.

The state-labor alliance is an example of an informal state institution that impacts the implementation of reforms. Some groups considered breaking the alliance a necessary means of advancing neoliberalism, whereas others viewed it as a way of slowing neoliberal reforms (Collier 1992:8). The official labor organization, the CTM, basically coopts progressive workers movements, subordinating labor to the demands of the state. During the economic pacts of the 1980s and 1990s, CTM-leader Fidel Velázquez did little to slow economic reforms, although he did try to slow party reforms (Craske 1996:81). Despite the current weakness of the CTM, the most significant new independent labor movement, the UNT, has begun to form alliances with the CTM and the PRI ("National Union of Workers..." 1998:5). The strength of the state-labor alliance has historically experienced periods of rising and declining significance, and evidence from the 1990s does not suggest the end of the institutionalized relationship that relies on corporatist rather than liberal criteria for labor relations. Thus some aspects of the state-labor alliance hinder the advance of neoliberal reforms, while other aspects allow the reforms to proceed.

Other labor institutions also affect the implementation of neoliberal reforms in a myriad of ways. The 1993 liberalization of the wage system failed to achieve its objective of promoting productivity. The traditional federal labor authorities, the Congress of Work (controlled by state-affiliated unions) and informal labor norms also continued to be influential in the 1990s (Pozas 1996). Similarly, labor and social security legislation hinders the success of the reforms. The Federal Labor Law creates insecurity by promoting the use of subcontractors (Dávila 1997). It also mandates the use of seniority

rather than capacity as a criterion for promotion, thereby slowing productivity (de la Cruz 1995:16-17). These examples of the impact of state labor institutions reveal the variety of ways in which they hinder the implementation of neoliberal reforms.

Chapter 6 revealed the impact of state institutions in the agrarian sector on the reforms. The most significant state institution under study in the agrarian sector was the ejido, which historically provided a myriad of benefits to ejidatarios and now sharply limits neoliberal reforms in the agrarian sector. Many ejidatarios are not interested in completing PROCEDURE, the government's land titling process, because of the values they place on continued ejido membership (Golding 1998:169; Jones and Ward 1998:254; López Sierra and Moguel 1998:223; Stephen 1998:126). PROCEDURE was supposed to be complete by the end of 1994, yet five years after that date, the process is only two-thirds complete, is decelerating and may even stop completely.

Informal state-society institutions governing relations in the agrarian sector also limit the impact of neoliberal reforms. For example, traditional forms of political manipulation and the bolstering of corporatist ties during the PROCEDURE land titling process continue (Jones and Ward 1998; Zendejas and Mummert 1998). Both the formal institution of the ejido and the informal norms governing interactions with ejidatarios reduce the magnitude of reforms.

Other significant state institutions relevant to this examination included the National Peasant Confederation (the CNC), the National Federation of Organizations and Citizens (the FNOC) and the Mexican Social Security Institute (the IMSS). Even during the mid-1990s, the CNC and the FNOC guaranteed loans to sugar cane growers, despite the fact that one neoliberal goal was the conversion of cane growers to the production of

crops with a comparative advantage internationally (Otero 1998). According to one survey, this credit, together with benefits of membership in the IMSS, was the reason that 27.5 percent of them cultivated sugar (Otero 1998:98).

Some state institutions in the agrarian sector have a mixed effect on the reform process, and some institutions interact with others, leading to unanticipated outcomes. The conflict between *técnicos* and *políticos* is also played out within various agrarian institutions. One example is the *Procuraduría Agraria* (PA) which used traditional corporatist ties to force compliance with the PROCEDE land titling process (Baitenmann 1998). Similar use of corporatist ties is found in the PRONASOL anti-poverty program. PRONASOL was meant to ease the transition into a neoliberal economy, and its funding was supposed to be dispersed transparently, thereby bypassing traditional corporatist distribution lines. Yet PRONASOL was often manipulated by *políticos* within the PRI as a means of increasing the popularity of the ruling party, and traditional corporatist groups (the Popular Sector, the CTM and the CNC) (Fernández Jilberto and Hogenboom 1996; Rodríguez 1997). Through PRONASOL the PRI accomplished a modernization, not a dismantling, of corporatism (Craske 1996:89). Thus PRONASOL had a mixed impact on neoliberal reforms.

Finally, the PROCAMPO program of agricultural payments is a state institution that was supposed to help ease the transition to a liberalized economy in the production of basic grains. Yet in practice, about half of its resources are used on things other than investment and productive use (Covarrubias Patino 1996:110). Instead, the program functions as a political tool (Appendini 1998:33; Enciso, August 11, 1997). Thus older corporatist norms and clientelist ties shape a political-economic system in which older

state roles are reincarnated within the core of new state institutions. The perpetuation of these informal institutions serves to undermine the asserted goals of the neoliberal state at the turn of the 21st century.

In Search of a Hierarchy of Significant Institutional Attributes

Many institutional effects have been discussed in this study, in the hope of providing the reader with a sense of their scope and variety. They provide relevant explanations for the slow fruition of neoliberal reforms described in Chapter 3. As neoliberal reforms are implemented, policy contexts change. These changes in turn influence revisions of the original reforms. Sometimes state institutions advance the reforms, but more frequently they limit them. There is a growing consensus about the need for institutional reforms in Latin America and other developing areas (e.g., Burki and Edwards 1997 and 1998). The evidence provided here suggests that institutional effects are quite pervasive: informal institutions are reincarnated in formal institutions, formal institutions that sometimes appear to lose significance can regain significant stature, and institutions that are dismissed as irrelevant may prove to be doggedly persistent.

The examples of state institutions affecting the Mexican labor and agrarian sectors reveal that in these key areas, *institutions often hinder the impacts of neoliberal reforms*. But within these two broad groups, which institutions are most important? What features do they share that other institutions lack? How has their role changed over time?

One characteristic of many influential institutions is their *longevity*. Although long-standing institutions may lose their impact with the passage of time, a longer heritage more often provides an institution with the opportunity to develop many different means

of influence and many diverse forms of support. For example, the CTM has an institutionalized relationship with the state, and has control over and support from unionized workers. Although the CTM has lost power during the implementation of neoliberal reforms, it still enjoys a position of relative privilege in its relations with the state. For example, when the National Minimum Wage Commission (CNSM) was convened in 1999, the Secretary of Labor denied the independent National Union of Workers (UNT) representation while the CTM's position was irrefutable. Reforms did broaden the CNSM to include other unions, among them the long-standing Revolutionary Confederation of Workers and Peasants (CROC) and the Revolutionary Confederation of Mexican Workers (CROM). The example suggests, as intuition would predict, that a longer heritage is one way of identifying a potentially influential institution.

Using this characteristic as an identifying feature, one could suggest many Mexican state institutions that might be influential. Many long-standing institutions have been discussed in this study: formal institutions such as the CTM, the CNC, the FNOC, the Federal Labor Law or the ejido, as well as informal institutions such as the pact of domination between labor and the state, and many corporatist and clientelist ties that have endured between different groups or individuals and the state. Newer institutions more closely match the neoliberal objectives of the state. Nonetheless, informal institutions often influence the way newer institutions function in practice. For this reason, it is common for newer institutions to have a more mixed impact on the implementation of neoliberal reforms. Some examples of this are the PROCAMPO program of agricultural subsidies and the PRONASOL anti-poverty program. Similarly, informal institutions may cause other outcomes that undermine neoliberal goals more indirectly. Some examples of

this are the economic solidarity pacts (the PSE and PECEs) that made the implementation of reforms possible but did so in a way that perpetuated a corporatist rather than liberal form of organization. In general, older institutions have a more predictable impact on neoliberal reforms, and that impact generally hinders the reforms. Newer institutions, on the other hand, may advance some aspects of the reforms, but may also be heavily influenced by older informal institutions. Thus, longevity is one important way of distinguishing a potentially influential institution, be it formal or informal.

Two other meaningful characteristics also help to discern the relative significance of institutions to national development: *size* and the presence or absence of a *supportive institutional milieu*. Size is a relatively unproblematic distinguishing feature. The larger an institution is, the more likely it is that it will influence development. Conversely, smaller institutions have less impact. For example, another reason that the UNT was not granted a role in the CNSM is that it is still much smaller than the CTM.²

A supportive institutional milieu refers to the extent to which other institutions share a similar mandate as the institution under study. For example, a vast network of organizations and individuals linked through corporatist and clientelist ties supports an institution such as the CNC. Many formal and informal institutions bolster the CNC's position and help maintain its significance despite urbanization and a deepening rural poverty.

This study has highlighted the influence of a number of institutions that have a long heritage, considerable size and a supportive institutional milieu. Of all of the institutions

² Whereas the official unions have about 10 million members, the UNT has only about 1.5 million members (Bierma 1998).

discussed here, one of the most formidable is the ejido. Almost 30,000 ejidos exist in Mexico, and they account for about half of the national territory, so their size is indisputable. Modern ejidos have been created since the end of the Mexican Revolution, and ejidos are supported by many institutions (including both formal institutions such as the CNC and informal institutions such as deep communal ideologies). Thus ejidos enjoy a heritage, size and institutional milieu that make them resolute forces during the implementation of reforms.

Conceivably the second most influential institution examined in this study is the Federal Labor Law (LFT). The LFT dates back to 1931. Its size is measured in terms of the breadth of its impact on Mexican labor. The LFT influences hiring, promotions, dismissals, contracts and mobility of labor, and thereby influences such things as productivity and technological change. The LFT is a formal institution that was staunchly supported by the CTM under Fidel Velázquez for many decades.

Informal corporatist institutions also rank among the most influential of those discussed here. These institutions define the vertical relations between broad social groups and the state at the national level, as well as between subnational groups and the local level. Corporatist roots predate the Revolution, and were reforged in the 1930s under Cárdenas. Corporatist interactions permeate many political relations in Mexico. These informal institutions maintain their presence through the mass organizations of the PRI/state.

All three of the most significant institutions mentioned here share the characteristics of a long heritage, impressive size and supportive institutional milieu. Other institutions discussed in this study are characterized by greater weaknesses on one

or more of these three properties. Some have greater significance in one sector or region than in another. Yet when considered together, they provide a more nuanced understanding of the depth and breadth of institutional effects during the period of neoliberal reforms.

As mentioned at the end of Chapter 6, if these types of phenomena are observed in Mexico, one of the closest followers of neoliberal reforms, they are probably similarly significant in other countries where reforms are being conducted. Scholars today frequently emphasize the modifications to preexisting development policies, effectively underrating these institutional continuities. The influence of historical institutions is becoming most consequential precisely in the throes of such reforms. Accordingly, the question that then unfolds is: What does this portend for development?

Significance of Institutional Effects to Development in General

In order to discuss the implications of institutional effects on development, one must first contemplate the meaning of development itself. Development means different things to social scientists, environmentalists, politicians, investors and ordinary citizens. These groups fiercely debate what constitutes development. It is argued here that development must at least involve economic, social, environmental and political features that are acceptable to the majority of the affected population, and that any definition that ignores any of these four contributing factors is incomplete. Economic growth without fair social practices, for example, should not be called development. By the same token, a country with a fair, equitable and just political system but fraught with economic hardships (such as debt burdens or currency devaluations) that are a burden to a significant portion

of the populace hardly qualifies as developed either. Balanced development is even more elusive to encounter than it is to define; nonetheless, scholars must not use this as an excuse to accept improvements in one aspect of development as a genuine sign of gains towards ideal overall development.

Deciding whether an institution is good for development is not always as simple as asking whether or not it advances national development policy reforms, since there are frequently regional or sectoral impacts that require a more elaborate approach. For example, regional characteristics may necessitate extra protection for environmental reasons, reasons of significance to indigenous groups, or other geographical or social conditions. Regional institutions that are counterproductive in terms of a national policy may make more sense if local circumstances are considered. Thus institutional “stickiness” may benefit regional development. Similarly, sectoral needs often deserve special arrangements. For example, attention to a particular sector’s needs may prevent the initiation of a chain reaction of events that would ultimately undermine other aspects of development policy.

The ejido represents one example of how institutional “stickiness” may sometimes aid development. Although national policies aim to dismantle ejidos in favor of private landholdings, Chapter 6 presented evidence that some ejidos rotate lands to lay fallow, thereby preventing overuse of marginal lands. Similarly, institutions such as the Federal Labor Law serve to maintain benefits for workers employed in the formal sector.

Debates rage in the social sciences over the proper roles for the market and the state in development. Although virtually all scholars agree that both are necessary for development, they are sharply divided over which mixture is most effective. For example,

some argue that the appropriate mixture depends in part on the historical period (e.g., for Latin America, state-led development made more sense in the 1950s than in the 1980s and 1990s), while others claim that certain duties should always be assigned to the state rather than the market (e.g., health care, road construction, etc.); still others argue that the historical period is irrelevant, but that state interference with the natural operation of the market is always a hindrance to development (e.g., Latin American economic problems of the 1980s and 1990s are a direct consequence of not allowing the market to operate more freely in the decades following the 1940s).

Sometimes opinions converge significantly. An example is the post-1970s neoliberal consensus over the need for market-oriented reforms (Valdés-Ugalde 1996). Both neoliberals and orthodox institutional economists shared a common confidence that by “modernizing” (in practice, usually, downsizing and decentralizing) a state, the country’s economic development would be aided through increasing efficiency. Neoliberal recommendations were quite similar for all Latin American countries, and it was understood that neoliberal reforms would result in an adjustment period, during which stabilization, for example, might only be achieved at the expense of equity. However, neoliberals did not see this as problematic, but rather, as an acceptable price that might have to be paid for long term success. In practice, the price has been much higher than originally foreseen for the poor in Latin America, and the payoff indefinitely protracted.

The idea that it may be difficult to achieve political and economic development simultaneously is not a new one (see, e.g., Hirschman 1958). The sequencing of progress in various areas is important, and there is always more than one correct way of attaining a

particular set of objectives.³ Pure neoliberal policies may not be best for all countries or regions, or during particular historical periods, and there is no single universal definition of development. Neoliberals tend to define development in terms of economic growth more frequently than other analysts, who may emphasize equity, for example. Yet countries may find greater success with policies that vary from neoliberal ideals, or they may interpret the success of their development policies in ways other than neoliberal ones.

Development strategies that contain elements that contradict neoliberal policies may result in better outcomes than expected. When considered in this light, institutions working in contradiction to neoliberal goals may not be burdensome. Even corrupt corporatist institutions have sometimes been considered beneficial for the role they play in maintaining political stability (Knight 1996:231). Such a view is somewhat farfetched, but it reveals the variety of ways one may think about development.

Since the timing of neoliberal reforms has run years behind the rhetoric of reform, development outcomes have been significantly affected. In practice, development outcomes have entailed not only the lags and disjointedness anticipated and accepted by neoliberals in theory, but other additional delays that were unforeseen by neoliberal development planners. The combined effects of the lags and the delays have become a tremendous burden on the poor in Latin America. At the turn of the 21st century, the original sacrifices built into neoliberal development plans need to be reassessed. They placed far too much initial strain on the poor. The additional development delays that result as reforms are implemented also need to be critically scrutinized. Even if the

³ See Teitel (1992:2) for a summary of Hirschman's thought on these issues.

original plans were considered fair, the outcomes that have resulted have proven more difficult to justify.

If, as has been discussed here, the implementation of neoliberal reforms is taking longer than originally anticipated and additional reforms are needed, the factors responsible for the delays should be studied carefully. Frequently, the causes of the delays are formal and informal institutions. In interpreting the significance of the maintenance of formal and informal institutional power by the state, such control should be perceived of as varyingly harmful or beneficial. This challenges the neoliberal assumption that the role of the state must necessarily continue to be reduced, but it stops short of arguing across the board that the reforms of the state have gone too far. Instead, it suggests that any institutions that have survived the cuts might on the one hand be deserving of closer attention. Such institutions may play an important role in advancing development. Rational choice theorists often argue that the “persistence of an institution depends upon the benefits it can deliver.”⁴ While it may be true that this is sometimes the case, a historical institutionalist would argue instead that some of these institutions may be doing much more harm than good (if, for example, they perpetuate damaging patronage systems of political favoritism). Thus the impact of state institutions on development is somewhat ambiguous.

Sometimes situations arise in which an institution buffers the short-term costs of neoliberal reforms on the poor. If this is the case, it is more difficult to generalize about the desired future institutional condition for development. Policy-makers must choose

⁴ Hall and Taylor (1996:952) provide this summary of the rational choice perspective.

between (1) accepting the continuity of an institution that protects certain individuals or sectors in the short term, and (2) dismantling such an institution in favor of a long-term benefit. Such policy decisions are influenced by a multitude of factors.

As neoliberal policies have been implemented, some policy makers do note discrepancies between their original plans and development outcomes, and they respond to these problems by altering their policies in the hope of achieving better results. One example of such revisions by policy makers has been the decision by the Mexican government in the late 1990s to reassert a role for the ejido in rural development, in response to the tenacity of the ejido as an institution. Whereas at the onset of the PROCEDURE program in the early 1990s, neoliberal planners expected the ejido to be rapidly privatized, the government now has breathed new life into ejidal organizations by allowing them to serve new functions. By 1998, the *Secretaría de la Reforma Agraria* (1998:129-134) was devoting attention to how strengthening the internal life of agrarian communities and ejidos aids development there. In this fashion, policy makers respond to the institutional context by creating policies that take advantage of institutions rather than attempting to dismantle them. The neoliberal goal of promoting economic development in the countryside remains, but the way to achieve it now seems far better suited to the realities of the Mexican *campo*.

Unfortunately, policy makers rarely respond quickly enough to many types of institutional restraints described in this study, or they may misinterpret the variety of functions a single institution may serve. For instance, state or state-affiliated institutions might be used as frameworks for the dissemination of information about an essential neoliberal program. As one example, in the early 1990s, representatives of the official

peasant organization, the CNC, dispensed information about PROCAMPO, the program touted as a buffer against difficulties during the transition to agricultural liberalization through NAFTA.⁵ In this case, the state-affiliated institution (the CNC) was in some respects aiding the implementation of neoliberal reforms. Yet neoliberals during the 1980s and 1990s saw most formal and informal institutions of the Latin American populist state as *detrimental* to the advance of neoliberal reforms. Their recommendations, therefore, were to dismantle the formal institutions and to seek to undermine informal institutions of the populist state. Yet in situations such as this one, their sweeping recommendations to disassemble state institutions actually served to undermine their ultimate objective of liberalizing the economy. These irrational outcomes come about when policies are not tailored closely enough to individual countries' needs.

Even if policy implementers attempt to dismantle an institution, it may still remain intact (perhaps, for example, through informal rather than formal means). If so, they must also weigh the costs of attempting to do away with an institution that has a tricky persistence. Thus as a policy is implemented, institutional factors affect the direction and emphasis of the policy (Pressman and Wildavsky 1979). This may help to rationalize policies during the implementation stage, but it often reflects the inadequate initial assessment of the original policy context.

This study has challenged both the neoliberal idea that state institutions are now largely reduced and reformed, and further, that the removal of state institutional power necessarily facilitates development. It has mainly shown the ways in which institutions

⁵ Pre-dissertation fieldwork by the author in July 1993 in Jalisco, Michoacán, Oaxaca and Puebla.

hinder neoliberal policies, although they occasionally advance the policies or have no significant impact in either direction. These three possible outcomes (hindering, advancing or not influencing) may each be viewed as neutral, positive or negative for development, depending on whether one believes in the efficacy of a particular neoliberal reform or not. This makes generalizing about the impact of the effects of institutions on development more challenging.

Yet while generalization is difficult, much evidence from the Mexican case shows state institutions limiting reforms in key areas, such as land privatization and labor market liberalization. If, as in this study, institutions are shown to have real impacts in these meaningful areas, development policies that do not recognize and/or cannot account for these effects do not adequately address the development needs of the country. By revealing these institutional effects, the efficacy and appropriateness of neoliberalism as implemented in practice is challenged. This conclusion suggests that similar institutional effects might also be extremely relevant to other Latin American cases witnessing slow results from neoliberal policies. Although the institutions differ for each country, policy makers knowledgeable about a state's formally and informally institutionalized relations with the polity should assess what has been overlooked in the implementation of neoliberal reform policies.

A Concluding Discussion: What Does the Future Hold?

With knowledge of the role institutions have been playing, how might one expect development in Latin America and other regions to be affected? Many scholars agree that reform processes become more challenging with the passing of time, when the initial crisis

has passed and the reform threatens deeply rooted interests and requires more thorough institutional change (Morrow 1998:4). If this is true, and (as this study and others have shown) institutions persist despite attempts to reform them, the potential for the success of neoliberal reforms will only become *less* likely with the passage of time. Whereas neoliberals expected certain lags between the implementation of reforms and the realization of benefits, the delays have been far longer than anticipated. In general, the responses of policy makers have thus far inadequately addressed this institutional impact.

Neoliberal reforms remain incomplete in Latin America, especially in countries such as Brazil (e.g., Morrow 1998; Frediani 1996). Aside from institutions, the sequencing of political and economic reforms also influences the reform process. Under certain conditions, economic reforms have a greater chance of success (Moore 1997; Przeworski 1991; Sheahan 1998; Valdés-Ugalde 1996). For example, an authoritarian regime has more independent power to enact reforms that are unpopular with a large proportion of the population. Chile under the authoritarian rule of General Augusto Pinochet is a case in which neoliberal reforms were swiftly implemented. Conversely, in an environment of political liberalization, the populace gains new opportunities to reject unpopular economic policies. Thus, another factor that may also hinder the implementation of neoliberal reforms is renewed political mobilization, and the need for politicians to alter development policies in order to garner citizen support. Fruitful avenues for future research might examine the interactions between the types of institutional effects highlighted here and the effects of new mobilizations by individuals during political liberalization. The impact of these combined influences may result in interesting changes in economic policies.

To combat the possibility that the reforms could lose political support to such an extent that they may be reversed, one group of scholars recommends strengthening domestic banking systems, advancing education reform, increasing social protection and improving key social services (Morrow 1998:6). All of these areas have suffered as a result of neoliberal reforms. For example, in Mexico, neoliberal reforms sought to reduce the constitutional protections enjoyed by labor. Many of the proposed improvements in social services seem peculiarly similar to policies maintained by states prior to fiscal retrenchment. Even countries that initially embraced strict neoliberal policies may end up following recommendations that revive the role of some state institutions in development. As in the case of the ejido in Mexico, policy makers will be able to stimulate development better if they reexamine existing state institutions carefully and with greater imagination about reform (rather than simple elimination). Similar steps could be taken in areas such as labor legislation, education and health care.

As the significance of state institutions receives greater attention, policy makers may move further away from their original neoliberal recommendations, in favor of policies tailored more closely to the particular institutional characteristics of each country. These types of reforms do not involve simplistic procedures or blueprints, but rather, are painstaking, lengthy and offer almost exclusively long-term benefits. Rather than recommending the dismantling of institutions, policy makers should be prepared to accept a bigger part of the institutional context as a given, and prepare their recommendations accordingly. In this fashion, their recommendations would be better suited to the particular needs of each development case.

In sum, both formal and informal institutions of the state significantly hinder the implementation of neoliberal reforms. Neoliberal policy makers have frequently underestimated the significance of institutions. As a result, in practice, the potential benefits neoliberal policies promise have been delayed, causing unacceptable development outcomes and burdening the poor indefinitely. To remedy this situation, policy makers should examine the institutional makeup of each country more carefully before designing a development model generally rather than specifically. Greater heed to institutional influences will help policy makers find ways to overcome them or work around them, and thus help make the effects of development policies more closely match the outcomes originally envisioned. In addition, policy makers who assess the progress of neoliberal reforms should pay greater attention to the effects of state institutions and be prepared to reorganize policies accordingly. Policy makers must take institutional effects into greater account, not only when designing policies, but also when reviewing their implementation in practice. Both steps are imperative, given the urgent development needs worldwide at the turn of the 21st century.

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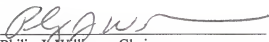
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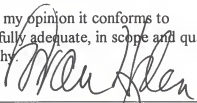
BIOGRAPHICAL SKETCH

Diane Michaelle Just received her Master of Arts in political science from the University of Florida. She received her Bachelors of Arts in international studies from the University of North Carolina at Chapel Hill. She has worked, served as a volunteer and done research in Mexico and Chile.


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Philip J. Williams, Chairman
Associate Professor of Political Science

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Goran Hyden
Professor of Political Science

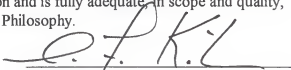
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M. Leann Brown
Associate Professor of Political Science

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.


Michael Chege
Associate Professor of Political Science

I certify that I have read this study and that in my opinion it conforms to acceptable standards of scholarly presentation and is fully adequate, in scope and quality, as a dissertation for the degree of Doctor of Philosophy.


Clyde Kiker
Professor of Food and Resource
Economics

This dissertation was submitted to the Graduate Faculty of the Department of Political Science in the College of Liberal Arts and Sciences and to the Graduate School and was accepted as partial fulfillment of the requirements for the degree of Doctor of Philosophy.

December 1999

Dean, Graduate School